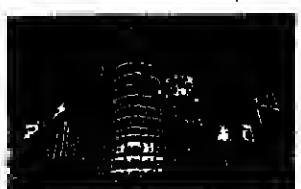




Germany cuts rates
Bundesbank gives Europe
a push towards recovery

Page 2



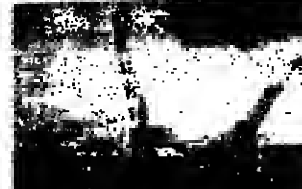
Japanese economy
Middle age or a
second childhood?

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Retailing
Kingfisher seeks
a French catch

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Tomorrow's Weekend FT
North Sea oil: after 25
years, what happens next?



FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY FEBRUARY 5 1993

D8523A

US productivity shows best gains in past 20 years

Output per hour in non-farm US businesses is growing more quickly than at any time since the early 1970s with productivity rising at an annual 4 per cent rate in the fourth quarter last year and by 2.7 per cent for 1992 as a whole. This represents a sharp turnaround after five years in which annual productivity growth averaged about 0.5 per cent. Page 12

Bérégovoy blasts UK 'dead end' Britain was accused of "going down a dead-end path" by French prime minister Pierre Bérégovoy. He said prime minister John Major was a victim of Margaret Thatcher's radical free-market policies. Page 3

Japanese reform calls Japan was urged to ease market regulation and encourage competition to ensure the longer-term health of the troubled financial system. Page 13; Tokyo welcomes discount rate cut, Page 4; Japan-EC trade talks, Page 5; Lex, Page 12

King expected to quit chairmanship Lord King is expected to step down today as chairman of British Airways in favour of chief executive Sir Colin Marshall. Lord King, 75, was due to retire in July but is to leave early to ensure continuity of the BA top management succession, shaken by the company's involvement in a "dirty tricks" campaign against rival, Virgin Atlantic. Lord King will become honorary president of BA. Page 13; KLM plunges, Page 13; US groups renew attack on BA deal, Page 15; Observer, Page 11

Heald Rowntree, Swiss-owned food conglomerate, is to shut its chocolate bar production plant in Glasgow, Scotland, over the next two years with the loss of 550 jobs. Page 12

Daf production Daf said it expected regular production at its Kinnaird and Westerley plants in the Netherlands to restart next Monday after the collapse of Leyland-Daf on Tuesday. Page 6; Citroën to cut 1,600 jobs, Page 3; Mercedes sees writing on the wall, Page 8

German cellphone groups Germany awarded a licence for a new cellular telephone network to a consortium headed by German industrial groups Thyssen and Veba. Page 3

Asthma gene found Researchers at Oxford, southern England, have found a gene which may make people susceptible to asthma and hay fever. Page 8

Erbamont stake may be sold Loss-making Italian chemicals and agro-industrial group Monedison said talks to sell a stake in its profitable Erbarmont pharmaceutical subsidiary were nearing completion. The likely buyer is Swedish pharmaceutical group Procter. Page 14

Delors warns UK European Commission president Jacques Delors said that Europe would have to stand up to the Americans if the EC and US could not co-ordinate policy. Page 4

Chinese job cuts Wuhua Iron & Steel, China's fourth-largest steelmaker, is to lose 80,000 workers in an effort to achieve western efficiency standards. Page 4

Yeltsin assails central bank President Boris Yeltsin accused the Russian central bank of a "most crude mistake" in issuing Rb3,000bn in cheap credit to state-owned enterprises. Page 4

UK exporters complain Leading British exporters say thousands of UK jobs are at risk and valuable exports are being lost because export credit cover is expensive or difficult to obtain. Page 6

Playboy shot down Dutch defence ministry plans to send free copies of Playboy magazine to its troops in Bosnia, where women have suffered systematic rape attacks, have been condemned by Germany's Roman Catholic church.

Rushdie bitt British novelist Salman Rushdie, author of *The Satanic Verses*, under threat of execution by Moslem extremists, said he had paid about £250,000 (\$395,000) of the estimated £1m cost for police protection.

Maastricht votes Denmark will hold its second referendum on the Maastricht treaty on May 18. The treaty was narrowly rejected in a poll last June. Page 3

STOCK MARKET INDICES

Index	Value	% Chg
FTSE 100	2,998.9	(-7.9)
Yield	4.25	
FT-SE Eurotrack 100	1,713.38	(+18.32)
FT-AE Share	1,395.84	(-0.26)
Nikkei	17,780.83	(-91.40)
New York Composite	2,364.32	(+20.53)
Dow Jones Ind Ave	4,418.18	(+18.50)
S&P Composite	4,418.18	(+18.50)

US LUNTIME RATES

Rate	Value	% Chg
3-mo Treasury Bill	2.9475	
Long Bond	7.1975	

LONDON MONEY

Rate	Value	% Chg
3-mo interbank	11.1/4	(6.1/4)
100 day bill	11.1/4	(6.1/4)
100 day bill	11.1/4	(6.1/4)

STERLING

Rate	Value	% Chg
New York	1.4435	
London	1.4435	
DM	1.4435	
FF	1.4435	
Y	1.4435	

■ Delors praises 'good political signal' ■ Industry attacks 'unfortunate' timing

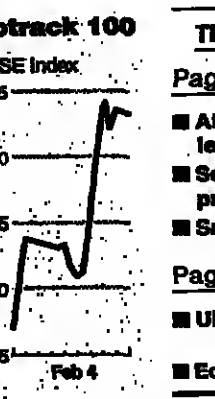
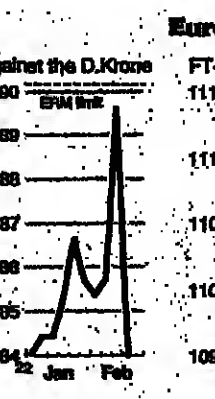
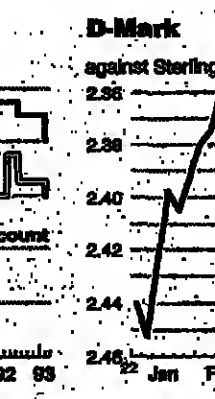
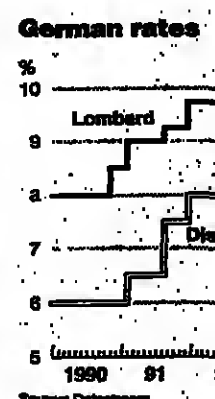
Bundesbank cuts interest rates

By Christopher Parkes
in Frankfurt

THE German Bundesbank yesterday brought surprise and relief around Europe by cutting its leading interest rates to stave off speculative attacks against weaker currencies. The Bundesbank, which effectively sets the direction of interest rates in Europe, lowered its discount rate by 0.25 percentage point to 8 per cent and the internationally sensitive Lombard rate by 0.5 point to 9 per cent. The move to reduce the main interest rates at which the Bundesbank provides funds to the banks helped to rally stock and bond markets around Europe. However, German long-term interest rates rose slightly as capital market dealers worried about the persistence of German inflationary pressures.

Mr Jacques Delors, European Commission president, interpreted the move as a clear effort to preserve Franco-German monetary co-operation. He called it a "good political signal at a time when one was entitled to worry about the long-term stability of the European Monetary System". The French finance ministry, which has been pressing Germany to lower rates to help the franc, said: "This is the kind of gesture that should help the EMS get some stability back."

Mr Helmut Schlesinger, Bundesbank president, underlined the importance of the cuts for the future of the EMS. "We hope this unfriendly game sometimes



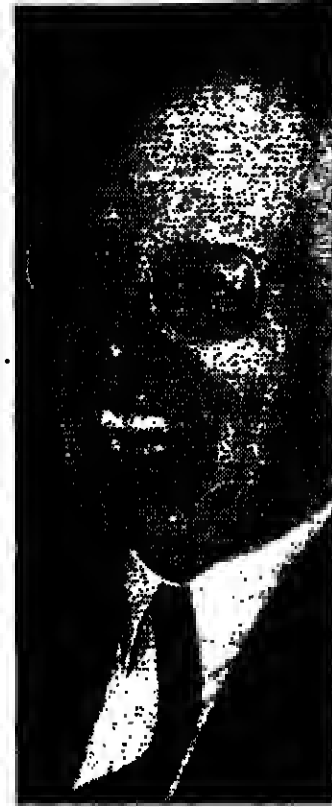
THE GERMAN RATE CUT
Page 2
■ Ailing ERM handed new lease of life
■ Schlesinger yields to pressure from all sides
■ Smoke clears around franc
Page 6
■ UK shuns fresh rate cut
■ Editorial Comment ..Page 11

called dominoes, in which speculators pick on one currency after another, has finally come to an end," he told a news conference. Mr Erik Hoffmeyer, governor of the Danish National Bank, which has had to intervene heavily to support the krone this week, said the German cuts were sufficient to head off a krone devaluation. "The move, however, was criticised by German industrialists as bowing to foreign pressure to ease German credit costs. The Federation of German Chambers of Commerce said the timing was "unfortunate" and said "pressure to bring wage and fiscal policy back to a stability-orientated track is now smaller". On Monday, Mr Schlesinger appeared to oppose short-term interest rate cuts by saying only "ignominious" were saying German rates were persistently high. Ms Alison Cottrell, an economist at London-based Midland

Global Markets: "It is a complete about-turn for Schlesinger. The move was forced on him both by both international and domestic considerations. Had he done nothing today, the ERM would have fallen apart disastrously. But a quarter point off the discount rate is not the end of the road. The Bundesbank is buying itself time through to the French elections." The central banks of the Netherlands, Belgium and Austria, which closely align their monetary policy to Germany's, reacted to the move with cuts in some of their own ending rates. The Dutch central bank lowered its special advances rate by 0.1 of a point to 3.30 per cent. Austria cut its discount rate to 7.5 per cent from 7.75 per cent and the Lombard rate to 8.75 from 9.25 per cent. The Belgian National Bank cut the central rate for primary dealers to 8.30

per cent from 8.40 per cent and the emergency lending rate to 9.75 per cent from 10.0 per cent. Some German economists were disappointed that yesterday's announcement gave no indication of further possible reductions in the Bundesbank's money market dealing rates. Mr Norbert Walter, chief economist at Deutsche Bank, interpreted yesterday's modest concessions as an indication of "deep divisions" within the Bundesbank's governing central council. Hardliners were likely to have struggled to hold the line and keep rates up until there were sure signs that inflation, money supply, wages and government spending were firmly under control. However, regional council members' arguments for some relief to help offset the impact of recession, combined with the renewed ERM turbulence and speculative attacks on the Danish

krone, won the day. Germany's deepening economic crisis was highlighted again yesterday by statistics showing incoming manufacturing orders at the end of last year had fallen by 6 per cent. Unemployment figures, expected today, will show a further sharp increase. According to Mr Walter, the cuts were merely a "symbolic shift". Mr Richard Reid, currency economist at the Union Bank of Switzerland, said: "When push comes to shove on exchange rates, the bank has shown it will make a nod in the direction of foreign partners." The bank also announced a sharp reduction in the minimum reserves private banks are required to deposit, interest free, with the Bundesbank and unveiled plans to introduce new short-term bills to soak up some of the liquidity created by minimum reserve cuts. Bankers said



Schlesinger: hoped unfriendly game of 'dominoes' had ended.

the object was in part to improve German financial markets' competitiveness. Reducing minimum reserve requirements would initially improve banks' profitability, but the Bundesbank is likely to press for benefits to be shared.

European shares gain as ERM tensions ease

By Peter Marsh, Sara Webb and James Biltz in London

SHARES on most world markets gained yesterday as hopes that the surprise cut in German rates would help the fragile European economy. The move also eased recent tensions in the European exchange rate mechanism. But investor satisfaction was tempered by disappointment at the relatively small cut in rates, a development which might hamper any widespread reduction in borrowing costs across Europe. These sentiments were reflected in the muted reaction to the news on European bond markets.

The most immediate beneficiaries of the move were the Danish krone and the French franc, which had been pinned relatively close to their ERM floors by the strong D-Mark. With the Bundesbank move causing a rush of funds out of D-Marks, both currencies gained significantly, quelling fears that the ERM might be in for another period of extreme turbulence. On stock markets, the best performers included the Milan and Paris bourses, both of which gained about 1.5 per cent, while the rate cut triggered a sharp rally on the Frankfurt exchange in after-hours trading.

The FT-SE Eurotrack 100 index, which tracks prices of leading company shares across Europe, closed below the day's highs at 1,713.38, for an overall gain on the day of 18.32. In London, the FT-SE 100 index gained 26 points before the Bundesbank announcement to reach a high of 2,998.9, the first time it had ever breached the 2,900 mark. Afterwards, however, the index slipped to close at 2,998.9, down 7.9 on the day. Starting reached a high of DM2,395 immediately after the German rate cut, closing in London slightly lower at DM2,339 for an overall gain of 3 pennings.

UK government bonds rallied early in the day but the small size of the German rate cut disappointed the gilt-edged market, which sold off after the Bundesbank announcement. Gilt futures closed down half a point. On other European government bond markets, many securities rallied strongly, with Spanish and Italian government bonds gaining nearly a point before slipping back on profit-taking. French government bonds also rallied, particularly at the short end. German government bonds rose on the Bundesbank news but slipped back to end slightly lower on the day.

The German move came in the nick of time to ease pressures on some of the weaker ERM currencies, after last weekend's devaluation of the Irish punt. The Danish krone had been trading close to its ERM floor against the D-Mark of DKr3.9016 before the Bundesbank move, forcing the authorities in Copenhagen to raise a key lending rate by 2 percentage points. But by the close of trading yesterday, the krone was near to its central ERM parity at DKr3.9362. The French franc rose to FFfr3.790 at the European close, more than a centime up on the

day. One-month French francs traded at about 12 per cent last night, about 3 percentage points below their peak on Monday. An interesting sign of how much the tension had eased was that the five hard core currencies in the system - the D-Mark, French franc and the Benelux currencies - were all trading within 1 per cent of each other in the ERM grid last night.

Darty may merge with UK retailer

By Maggie Urry in London and Alice Rawsthorn in Paris

KINGFISHER, the UK retailer, and Darty, the French electrical goods chain, announced yesterday they were in merger talks. A takeover by Kingfisher, which could value Darty at £1.44bn, would create a significant Anglo-French alliance as Europe's retailers look towards cross-border expansion. Darty, which has 130 stores, is one of the best known names in French retailing. Kingfisher, which is entirely UK-based, encompasses the Woolworth, Superdrug and B&Q chains as well as Comet, Britain's second largest electrical retail chain. The proposed deal follows UK food retailer Tesco's £175.6m purchase of Cateau, a French supermarket chain, before Christmas. Mr Nigel Whitaker, Kingfisher's corporate affairs director, said Darty was "the finest electrical retailer in the world" and the deal "would be beneficial for both parties". He said the two groups had been aware of each other since 1986, first talked about co-operating four years ago, and began "talking seriously about this transaction last summer". Kingfisher's shares fell 20p to 538p yesterday as the London stock market worried about the cost of the deal.

Mr Whitaker, said Kingfisher's gearing was low. He would not comment on terms but countered suggestions that Kingfisher might overpay to gain a foothold in continental Europe: "If we are going to do this deal, it has to make sense on its own merits." The purchase price is expected to be much less than that implied by Darty's share price, plus its debt, and may involve deferring part of the consideration. Darty's shares were suspended at FFfr619 in Paris, valuing the group at FFfr7.9bn (£1.44bn). Darty has about £500m of borrowings. Only 4.7 per cent of its shares are listed after a management buy-out for FFfr7bn in 1988. Any deal would include an offer to the minority shareholders. Darty is under financial pressure because of the slowdown in the French economy, intense competition in the household goods market and the debt incurred to finance the buy-out. Darty warned shareholders last week that it faced a fall in pre-tax profits in the current financial year from the previous FFfr1.07bn. Kingfisher's pre-tax profits in the last financial year, to February 1 1992, were £207.1m, and stockholders expect a modest increase in the year just ended.

Demerger plan for two Daf operations

By Robert Peston and Kevin Done in London

THE DUTCH and Belgian operations of Daf, Western Europe's sixth largest truck manufacturer, may be demerged into a new specially created company, financed by local banks and the Dutch government, according to senior bankers. The UK operations would not be transferred to the new company. Much of UK operating capacity, which employs 5,500 people, could close. Bankers said yesterday that the main truck plant at Leyland in Lancashire, north-west England, may be sold to management, but that the Birmingham van plant and the Glasgow axle plant in Scotland were at risk. They added that Daf's administrators, working under Dutch insolvency law, together with local bankers and government officials, are working on the demerger proposal. It also emerged yesterday that before seeking bankruptcy protection on Tuesday, Daf had been planning to withdraw from all van manufacturing. The Birmingham van plant employs 2,000 people.

A small advertisement from a rather large venture capital company.

CINVen is backed by three of Europe's largest pension funds - British Coal, British Rail and Barclays Bank. This gives us deep pockets - at least £250m of equity, to invest in unquoted investments each year. We act as deal leaders over the whole range of management buy-outs and development capital financings. Further funding is always available later on, should it be necessary. And if flotation is the target, we provide in our backers, three blue chip investors as major shareholders. If you'd like to know more, we'd like to know you.

NEWS: THE GERMAN RATE CUT

WHY THE BUNDESBANK ACTED

Schlesinger yields to pressure from all sides

By Christopher Parkes in Frankfurt

THE package from the Bundesbank contained a little of something for everyone. The most important, German economists said, was support for the battered European exchange rate mechanism, within which the Danish krone was yesterday singled out for speculative attack.

The cuts in key short-term lending rates - 50 basis points off the internationally sensitive Lombard rate and 25 off the discount rate - sent important psychological signals to struggling European economies.

Similar signals were also received within the German economy, where a welter of black data has recently forced all but the most blinkered to acknowledge that recession has struck at last.

By suggesting that more relaxation can be expected to help domestic recovery and save jobs, if wages and inflation can be better controlled, Mr Helmut Schlesinger, cen-

tral bank president, offered a carrot to trade unions now embroiled in pay negotiations.

Also, as Mr Schlesinger's laid-back, even genial manner suggested, the bank itself might be able to enjoy a little respite from the weight of domestic and international pressure bearing down on it.

But the operative word was "little". "Markets are not getting much of a signal on easing," said Mr Richard Reid, economist at the Union Bank of Switzerland in Frankfurt.

The Bundesbank's package appeared to be aimed primarily at aiding the European exchange rate mechanism. "It did not want to be put in a position where it could be blamed for the krone leaving," he added.

Mr Norbert Walter, chief economist at Deutsche Bank, described the move as a "symbolic shift" following recent speeches by Mr Schlesinger in which he had indicated that he was concerned about the ERM.

Mr Dietrich Beier of the Berliner Bank was one of the overwhelming majority of economists surprised by the rate cuts. The January inflation figure of 4.4 per cent was "still ringing in our ears", and no change had been expected for at least another four weeks. But the decisive factor had been renewed ERM turbulence and market pressure on the Danish currency which threatened to spill over to the French franc.

At the same time, economists agreed, the Bundesbank had clearly taken on board complaints from Bonn and industry that the rapidly deteriorating internal economic climate demanded action sooner rather than later, if only to bolster plummeting confidence. According to the central bank's own rule-of-thumb reckonings, the impact of interest rate changes normally take eight or nine months to filter down to front-line businesses.

Meanwhile, there was a consensus that, as Mr Schlesinger claimed, the rate reductions yesterday did not reflect any basic change in the central bank's commitment to D-Mark stability.

Western German inflation is still well above 4 per cent and is not expected to come even close to the central bank's target of 2 per cent this year. Most forecasts suggest an annual average rate of 3.5 per cent.

The M3 measure of money supply growth showed a swelling still far beyond the target range in December, and the government has still not delivered its promised solidarity pact coupling wage restraints with sweeping public spending cuts.

By the Bundesbank's own rigorous standards, spent out at length in recent months, this is simply not good enough. There are hopeful signs that wages, inflation and money supply growth are slackening - factors acknowledged by Mr Schlesinger yesterday - but, as he said, they were not the real reasons for the cuts. They were merely part

of a process which had begun last September, when the discount rate was cut by 50 basis points and the Lombard by 25, and since when the bank has steadily steered down money market rates to just under 8.6 per cent.

As the Bundesbank has striven to convince its critics, it considers these rates, which are manipulated through its regular securities repurchase arrangements with banks, are the ones which really matter. Mr Schlesinger repeated yesterday that the so-called "key" Lombard and discount rates apply to only about 17 per cent of German borrowing.

The cuts yesterday were intended to retain equilibrium - the Lombard reduction to prevent money market rates moving up again and the adjustment in the discount rates, regarded as the "floor" in money market rates, to take account of the steady downward shift in "repo" rates. In the light of this, economists were disappointed that yesterday's

announcement gave no indication of further possible reductions in repo rates.

Tense negotiations with the public sector unions in Germany last night showed all indications of producing a welcome result, with a wage settlement possibly even lower than the 3.5 per cent considered tolerable by the Bundesbank. Economists are also forecasting that the money supply explosion is past and that the January figures for M3 expansion could be within the new target range of 5.5 to 6.5 per cent. A stop on new defence orders underlined the government's commitment to rein in spending.

It is not in the Bundesbank's rigid nature to deliver before payment, but it has made an exception this time. For an institution which counts credibility as its most important asset, it has taken a gamble for which all those benefiting from yesterday's relaxation will have to pay if the promises are not fulfilled.

FRANCE

Smoke clears around the franc

By Alice Rawsthorn and David Suchan in Paris

THERE was almost audible relief in the government offices and banking halls of Paris yesterday. French authorities have interpreted the German interest rate as a long-awaited sign that their bruising battle to defend the franc is over and that, sooner or later, the Bank of France should be able to signal a cut in interest rates.

"This is the signal we've been waiting for," said a spokesman for Prime Minister, Pierre Bérégovoy. "It's definitely a step in the right direction," commented an official at the Finance Ministry.

The rate cut's timing caught many in the government by surprise, but they seemed convinced that the Bundesbank was in a hurry to force further reductions in the cost of money. "Germany and the rest of Europe are now in the same stage of the cycle, with both inflation and economic activity weakening," said another official in the prime minister's office. Further German rate cuts might be slow in coming, but "at least the super-tanker [the Bundesbank] has now changed course," said an Elysee official.

The Paris stock market, which had been sluggish throughout the morning, greeted the Bundesbank announcement with an afternoon surge. It ended the day up 1.68 per cent at 1,854. Meanwhile, the French franc closed at 3.379 against the D-Mark yesterday, against 3.391 on the previous day.

The news of the German rate reduction came in the nick of time for France. The franc's resilience earlier this week after the devaluation of the Irish punt was hailed by French ministers as evidence that the currency was out of danger. But the battle for the franc has left France with high interest rates which are squeezing the economy in the run-up to next month's elections.

There is also the threat of a further rise in bank base rates. The commercial banks are under intense pressure given that base rates at 10 per cent have been around 2 percentage points lower than market rates which determine the banks' borrowing costs since early January. Société Générale estimates that this costs the French banking system an extra FF50m a week.

The German rate cut should give French officials the ammunition they need to persuade the banks that the pain will soon be over. "It has certainly given France a breathing space," said Mr Jean-François Mercier, chief French economist at Salomon Brothers. "It should stop the banks from raising base rates, but the key question is whether it will be enough to produce a cut in official interest rates."

The reaction of the French markets yesterday suggested that there was no expectation of an immediate cut in interest rates. Short-term market rates remained steady with three-month money hovering between 11.75 and 12.25 per cent.

On the political level, the Bundesbank move eases the pressure on Paris and Bonn to find ways of bolstering Franco-German monetary relations. With the Maastricht treaty still awaiting UK and Danish ratification, and with its monetary underpinning, the European monetary system, under such strain, experts in both capitals had been weighing new means of restoring impetus to monetary union.

EXCHANGE RATE MECHANISM

Acute strains forced action as krone sank

By James Biltz and Peter Norman

FOREIGN exchange dealers saw the interest rate cuts as a clear signal that the German central bank would do whatever was necessary to keep the European exchange rate mechanism intact.

But some said the moves could sow doubts about the credibility of the Bundesbank's commitment to control inflation at home, while driving a wedge between the remaining "core countries" in the ERM and those on the periphery such as Ireland, Spain and Portugal, which have been forced to devalue in the past three months without the help of a Bundesbank interest rate cut.

Foreign exchange analysts said this week's acute strains inside the ERM, following the weekend devaluation of the Irish punt, caused the Bundesbank to ease policy yesterday.

On Wednesday, the Danish krone fell sharply to its floor against three ERM currencies - the Irish punt, Dutch guilder and D-Mark - in a burst of speculation. Yesterday morning a 2 percentage point rise in the Danish deposit and discount rates to 11.5 per cent indicated that the krone was looking increasingly like another devaluation candidate.

A worrying feature of the selling of the krone on Wednesday afternoon was that much of it appeared to be by Danish investors. Selling by domestic investors is often seen as an indication that a currency is particularly weak.

There was growing speculation that a devaluation of the krone would result in pressure on the French franc, whose

parity with the D-Mark is seen as pivotal to the ERM.

In the light of yesterday's events, some economists suggested that the French authorities might have played a crucial part in behind-the-scenes discussions leading up to the Bundesbank move. The Bank of France's decision to re-introduce its 5-to-10 day short-term borrowing facility on Tuesday was seen yesterday as indicating a prior awareness that Germany might be prepared to ease its rates to protect the ERM.

The French authorities are thought to have put pressure on the Bundesbank to ease monetary conditions, partly because high interest rates were causing problems, for French banks. US rating agencies have already cast doubt on the creditworthiness of French banks.

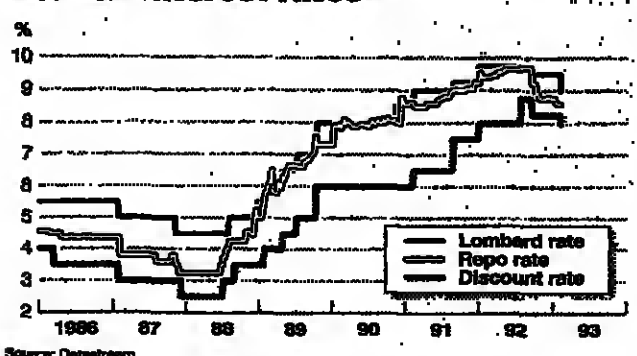
An unexpectedly weak performance by the Belgian franc, a currency which is closely tied to the D-Mark, was also causing alarm on Wednesday night.

In recent months, 3-month Belgian francs have traded at a premium to 3-month D-Marks on the assumption that the franc is in the hard core of European currencies.

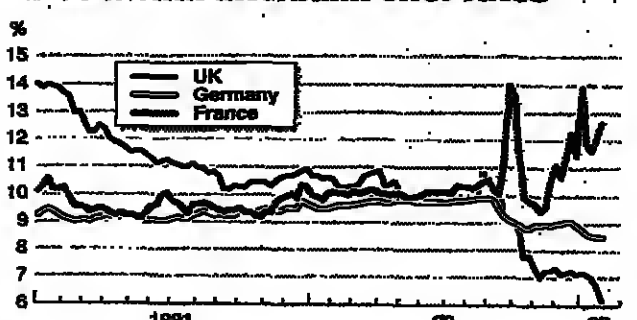
On Wednesday, however, the cost of 3-month Belgian francs soared some 20 basis points above 3-month D-Marks. According to Mr Avinash Persaud, a currency economist at UBS Phillips & Drew in London, the Belgian currency was having to carry a premium against the possibility of the ERM collapsing.

Yesterday, both the Danish krone and Belgian franc were performing more strongly.

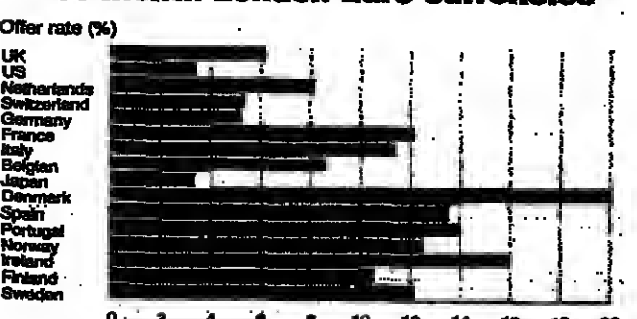
German interest rates



Three-month interbank offer rates



Three-month London Euro-currencies



RUNNING STORY: Financial journalists sprint to telephones to report the Bundesbank's cut in interest rates

MARKETS

Rumours avert upheaval

By Emma Tucker

ONLY a forewarning, in the shape of a Reuters news flash at 2.15pm announcing the Bundesbank move, prevented a panic on the foreign exchange markets.

As one New York-based dealer put it: "If they hadn't announced a press conference, the news would have blown us all out of the water."

As it was, dealers who had gone short of the Danish krone, in anticipation of a weekend devaluation, acted to restore their positions as soon as rumours of a German rate cut began to circulate.

"The market reacts so instantaneously now," said Mr Jeremy Hawkins, of Bank of America, in London. "The announcement of the press conference made more of an impact on currencies than the actual cuts," he said.

Forty-five minutes before the announcement, the dollar rallied as investors bought on the back of the rumour. But, once dealers took stock of the slight cuts, it slipped. "It's like it always is," said the New York dealer. "You buy on the rumour, you sell on the facts."

If anyone had their fingers burned, said traders, it was those short of pounds.

IMPACT IN GERMANY

Reserve cut bonus for banks

By David Waller in Frankfurt

THE cut in reserve requirements announced by the Bundesbank will bolster German banks' profits this year, allowing them to earn interest on DM32bn (£13.3bn) of their deposits for the first time.

The Bundesbank's move to replace the reserves with new short-term money market instruments was also seen in some quarters as a boost to Germany's underdeveloped money markets.

German banks have long complained that minimum reserves make Frankfurt uncompetitive against other European financial centres. The Bundesbank said the move was designed to increase the competitiveness of Finanzplatz Deutschland, Germany as a financial centre.

The reserves require that for

every DM100 a bank takes as a deposit from a customer, it is obliged to deposit up to DM12 with the Bundesbank.

The banks are not paid interest on these holdings so the reserves act as a brake on lending, liquidity and profitability.

Some other European financial centres have these reserves but they are invariably lower. In Luxembourg, a source of strong competition to Frankfurt, there are no reserve requirements.

Belgium, Denmark and the Netherlands have no reserve requirements, while in France they are just 1 per cent on most bank deposits and in the UK they are 0.5 per cent.

The Bundesbank said it would reduce reserve requirements on time liabilities and savings deposits from an average of 4.5 per cent to 2 per cent. Other types of deposits -

namely sight liabilities where reserve requirements can be as high as 12 per cent - are not affected.

Almost three quarters of deposits at German banks are affected by the measure.

The immediate impact is that banks will be able to earn interest on about DM32bn of cash for the first time. If customers do not require them to pass on some of these reduced costs of making a loan, this means an increase of several percentage points in banks' earnings this year.

The Bundesbank has arranged it so that the liquidity effects of the move will be neutralised by the introduction of new short-term investment instruments - which are intended to absorb DM25bn of the cash. The net DM7bn of new liquidity is too small to have any effect on money mar-

ket interest rates.

Although the Bundesbank has defended reserve requirements as an important part of its anti-inflation armoury, the fact is that they have remained unchanged since 1937. Far more important for monetary policy are the Bundesbank's operations in the money markets, which allow it to fine-tune interest rates through repurchase agreements and other instruments.

Despite the headline-grabbing effect of the half point cut in the Lombard rate yesterday, what is more important for what was a quarter-point cut in the discount rate, which acts as a floor to money market rates. All eyes are on Wednesday's repo auction, when rates are likely to be up to 0.25 per cent lower than the 8.57 per cent rate of earlier this week.

Surprise move brings modest relief

By Quentin Peel in Bonn

THE Bundesbank action was greeted with cautious relief in political and business circles in Germany yesterday.

The move caught most observers by surprise, because the central bank was expected to wait for solid results from Chancellor Helmut Kohl's

attempts to negotiate a "solidarity pact" with trade unions, employers, the opposition Social Democrats and the 16 federal states, to settle future financing for east Germany.

Mr Theo Waigel, the finance minister, who has made little secret of his desire to see an early interest rate cut to revive the ailing German econ-

omy, said the move would provide "a positive impulse".

There was relief in the Chancellor's office, where pressure from France had been acutely felt. Mr Kohl's advisers had stressed the need to pay attention to the international as well as domestic consequences of high interest rates.

However, Mr Wolfgang

Roth, of the opposition SPD, said the action was just "a faltering step in the right direction". And the German federation of industry said lasting economic stimulus could hardly be expected from such a modest step, but a bigger interest rate reduction would not have been a responsible action.

ALARM SUBSIDES IN BRUSSELS

Ailing ERM handed a new lease of life

By Lionel Barber in Brussels

THE German interest rate cuts were greeted with relief yesterday in Brussels, where senior European Community officials have been watching helplessly at the build-up of pressure on the exchange rate mechanism - the designated vehicle for European monetary union.

In the previous 24 hours, officials had grown increasingly alarmed as first the Danish krone and then the Belgian franc came under pressure in the foreign exchange markets. After the 10 per cent devaluation of the Irish punt last weekend, the speculative attacks on these "hard currencies" threatened to rip the heart out of the ERM.

The Bundesbank action yes-

terday marks a decisive move to salvage the system, a senior EC official said.

Further, it offers the long-awaited chance of lower interest rates across the Continent, the single most important factor in bolstering economic recovery - one day after the European Commission issued its gloomiest economic forecast for 1993 in 20 years, with growth unlikely to reach 0.8 per cent this year and 1.8 per cent in 1994, and unemployment continuing to rise.

Mr Jacques Delors, Commission president, said yesterday that a Bundesbank decision offered a much-needed signal that it recognised it had a responsibility not just to the German economy but to the rest of the Community.

This message of mutual interdependence is something he has been preaching ever since coming to Brussels in 1985. Yesterday's interest rate cut underlines that the Bundesbank has nothing to gain from a "free-for-all" of competitive devaluations in which monetary stability is lost.

Just hours before Frankfurt's move, Sir Leon Brittan, EC trade commissioner, raised the possibility of a collapse of the ERM, in which case a smaller group of countries were likely to create new forms of monetary and exchange rate co-operation. This was not the preferred option, he stressed, but something would emerge from the wreckage.

Sir Leon was merely expressing publicly what has been

said privately on the diplomatic circuit in Brussels since the New Year: that the unabated foreign exchange market assault on the ERM, and, crucially, on the French franc-D-Mark parity, was making it more likely that a nucleus of "hard core" currencies would move on a fast track to create some kind of monetary union ahead of schedule.

Mr Luis Angel Rojo, governor of the Bank of Spain, since confirmed as much yesterday. Moves to link the more stable currencies in the ERM were under discussion, he said, but there should be a flexible interpretation of the economic "convergence" criteria for Emu to allow Spain to join as well. But relaxing the "conver-

gence criteria" providing tough targets on budget deficits, public debt as a proportion of GDP and inflation is precisely what the Bundesbank fears most about a single European currency. Last week, Mr Helmut Schleeinger, its president, made clear in a speech that the price of giving up the D-Mark had to be adherence to the convergence criteria.

Viewed from this perspective, it is possible to put a slightly less altruistic gloss on the Bundesbank's rate cuts. One EC official suggested that by easing the strains inside the ERM, the Bundesbank had underlined its commitment to the status quo, rather than signalling its willingness to contemplate a "fast track" approach to Emu.

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NEWS: INTERNATIONAL

French PM attacks 'dead-end' UK policy

By William Dawkins in Paris

MR PIERRE Bérégovoy, the French prime minister, yesterday said Britain was heading down a dead-end in its strongest attack yet on UK economic and monetary policies.

"I feel today that Britain is going down a dead-end path. And that is true for everything," he said, adding that UK interest rate cuts and the reduction in the value of sterling had not helped the economy to recover.

"You can see that confidence is not coming back and unemployment in Britain is rising at a pace clearly faster than elsewhere," said Mr Bérégovoy. Mr John Major, the UK prime minister,

was the victim of Mrs Margaret Thatcher's ultra-liberal policies, he claimed.

Mr Bérégovoy's outburst will increase the tension in Franco-British relations, placed under fresh strain recently over the controversial decision by Hoover, the US appliance maker, to close a plant near Dijon and shift production to Scotland.

"You can see where unfettered liberalism gets you. The Scottish workers, a pistol loaded with job cuts at their heads, have agreed to give up employment rights, the right to strike, and accepted a blow to their pension funds and wage cuts," said Mr Bérégovoy.

His remarks also reflect suspicion in some French government circles that US and UK

pressure was an element in the recent speculative attacks against the franc, though this could ease following the Bundesbank's interest rate cut, announced after Mr Bérégovoy's statements yesterday.

He called for a meeting of finance ministers of the Group of Seven industrialised nations as soon as possible, to discuss a world growth initiative. "It is European co-operation and international co-operation which can conjure up stronger growth in the months to come," he said.

The EC should react strongly to recent US trade measures against European products, including proposed anti-dumping duties against imported steel, said Mr Bérégovoy.

Delors attacks UK in row over Hoover 'job-poaching'

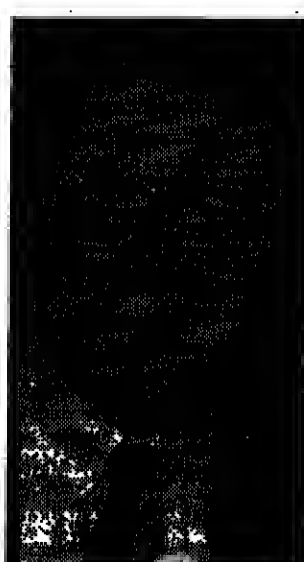
By David Gardner in Brussels and David Goodhart, Labour Editor

MR JACQUES Delors, European Commission president, attacked Britain yesterday for "job-poaching", vowing to get Brussels plans for mandatory European works councils back on the EC agenda.

After meeting shop stewards from Hoover's Dijon and Cambridge plants in an attempt to solve the controversy over Hoover's relocation of jobs from Burgundy to Scotland, he said the Commission was powerless to act.

"There is no intrusion on competition grounds, it is a case of differences in labour costs." The row over whether the UK was downgrading workers' rights and benefits to secure investment might have been avoided if the works council directive was law.

The directive would oblige companies employing over 1,000 people in more than one member state to consult workers' representatives on issues such as job cuts, new work practices and technology. It has been blocked in the Council of Ministers (of the 12) for over two years by UK opposition. But the Danish government, present holder of the EC presidency, says a directive on



Delors: a 'social Europe'

works councils is one of its main priorities.

Mr Delors said he would ask the Council to set a new date for re-examining the plan, which has strong backing in France and Germany, and the formal support of all Britain's partners. A works council "would not necessarily have affected the outcome" had one been in place at Hoover.

Such works councils would not necessarily resolve conflicts of interests between

workers over the transfer of jobs, according to union officials in Brussels and London, but it would make it harder for multinationals to play off workers in one country against those in another, as the unions claim has happened in the Hoover case.

Mr Delors was addressing a European Socialist conference on ways to create jobs and growth. A "social Europe... means at the very least implementing the Social Charter," which all member states except the UK have signed, he said.

Separately, Mr Karel van Miert, the Belgian socialist heading EC competition policy, said social policy had to be factored into the barrier-free single market to ensure a "level playing-field". The UK, by opting out of the Social Charter and the beefed-up "social protocol" to the Maastricht treaty endorsed by its partners, was now "playing football with its hands as well as its feet".

Despite the tension between British and French unions over Hoover, co-operation is increasing between European unions. The UK's GMB union and GPMU, the print union, signed co-operation pacts this week with their respective German partners, IG Chemie and IG Medien.

Citroën to axe 1,600 jobs

By William Dawkins in Paris

CITROËN is to lose more than 1,600 jobs this year, 5 per cent of its national workforce, as part of its campaign to reduce capacity in line with falling demand and to lift productivity closer to that of Japanese competitors.

This is the third round of job losses in the French car industry in recent months, following state-owned Renault's announcement that it is to shed 2,249 workers, and 2,597 job losses at Peugeot, part of the same group as Citroën.

It comes at a politically sensitive time, when the government is trying to curb

industrial job losses, as shown by the outcry over the closure of a Hoover plant near Dijon.

Citroën has prepared alternative work plans for those losing their jobs, in line with a recent law obliging companies to produce plans for alternative employment for surplus workers.

Unusually, most of the Citroën job losses will be among engineers, technicians, and executives, rather than factory floor workers as in the past.

Among the options to be offered are early retirement, phased retirement, other jobs in or out of the company,

training and job creation incentives, part time working and a subsidised return home for immigrant workers. "We aim to avoid redundancies if possible," said an official.

Citroën's comprehensive efforts to soften the blow contrast with previous job losses in the Peugeot group, the terms of which have caused conflict between the chairman, Mr Jacques Calvet, and Mrs Martine Aubry, the labour minister and backer of the tough new job rules.

Outline plans were presented yesterday to regional unions, who immediately published them for discussion at a works council on February 12.

Van Miert warns energy utilities

By Andrew Hill in Brussels

MR Karel van Miert, EC competition commissioner, has warned European governments and energy utilities that they should end monopolies on intra-EC imports and exports of gas and electricity.

He told a Brussels conference on Wednesday evening that he was in favour of security of energy supply - one argument put forward by energy utilities resisting liberalisation - but attempting to define security of supply in purely national terms was "out of date".

His comments echoed those of his predecessor, Sir Leon Brittan, now trade commissioner, but Mr Van Miert's tone was much less confrontational. For example, Mr Van Miert did not threaten to use special Commission powers to attack national monopolies. Draft EC legislation to allow consumers to buy electricity and gas from any Community supplier is stalled at ministerial level because of some national governments' opposition.

The conference - inspired by French utilities in the fields of water, energy, telecommunications, road, rail and postal services - yesterday launched a European charter aimed at promoting the benefits of the French model of public utility.

ties.

Mr Jacques Delors, president of the European Commission, yesterday welcomed the initiative as the beginning of a new era for public service companies. He said utilities had suffered a series of unjustified "frontal attacks" in recent years based on "dogmatic and ideological" objections. French public monopolies believe the appointment of Mr Van Miert, a Belgian socialist, as competition commissioner will ease the ideological pressure. During the conference, Mr Jean-Louis Bianco, the French minister of housing, transport and infrastructure, said he hoped Mr Van Miert would "introduce a somewhat different spirit" to competition policy.

Mr Van Miert said he did not consider that the application of competition policy alone would automatically make things better, and he repeated his view that other elements - for example, social and environmental policy - should be taken into account. He said that if the Community had used competition policy as the only criterion for managing the ailing steel sector, "there wouldn't be much left of it". But he warned the audience of utility managers, including chairmen of the main French groups: "If you think I'm a sort of anti-Sir Leon, forget it."

Denmark sets date for Euro-vote

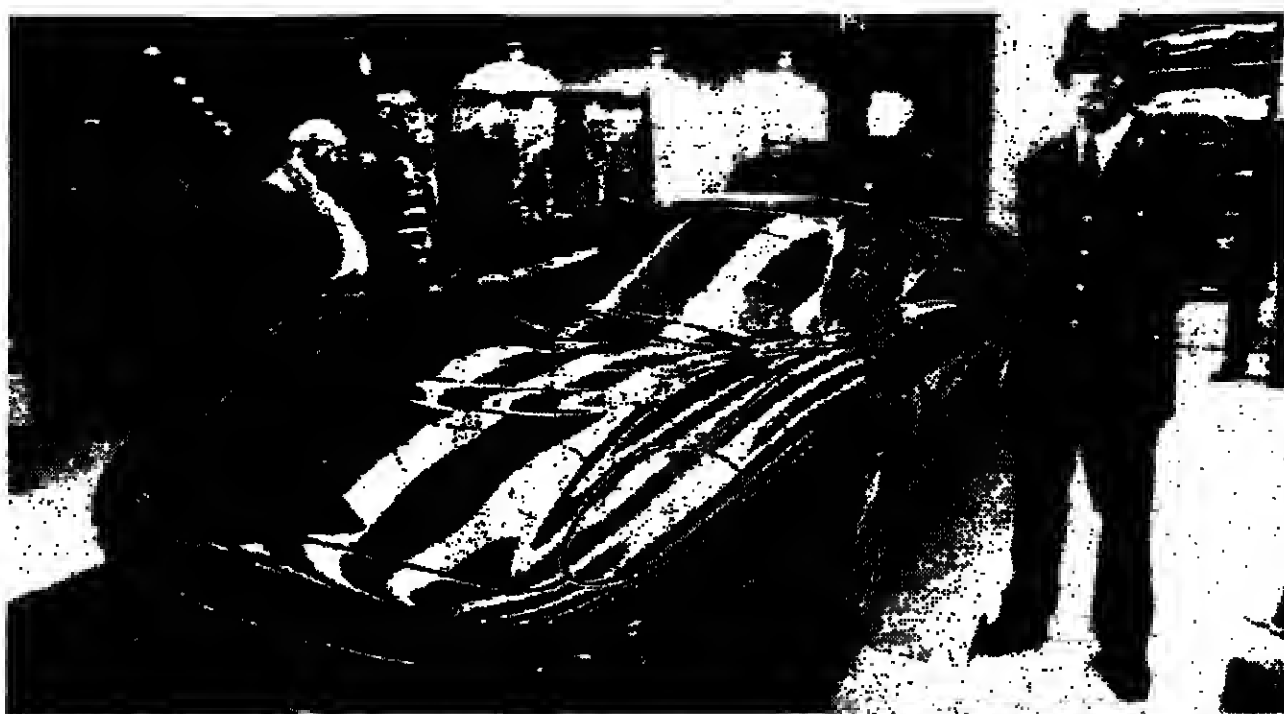
By Hilary Barnes in Copenhagen

DENMARK will hold its second referendum on the Maastricht treaty on Tuesday May 18, and will include a vote on the opt-out agreement negotiated by Denmark and its European partners at the EC summit in Edinburgh in December.

Recent opinion polls have indicated a comfortable majority for the treaty, which was narrowly rejected by Danes last June. The most recent opinion poll, on January 27, showed a majority of 63.1 per cent in favour, with the rest undecided. However, a couple of setbacks have hit pro-Maastricht forces this week.

For one thing, the Socialist People's party (SPP) has split over the national compromise behind the Edinburgh deal, with three of the SPP's parliamentary group now rejecting the agreement, claiming that party opinion is against the leaders' decision to support the deal.

The other setback came when one of the country's largest trade unions, representing public-sector office workers, defied its leaders and recommended a No vote. The Edinburgh deal gave Denmark permanent and binding opt-outs on four aspects of the Maastricht treaty.



A man dressed as a British policeman guards the costliest car in the world, the Jaguar XJ220 at F1 1.8m (£874,000) a time, at an international motor show in Amsterdam. The limited-edition sports car is already sold out.

US rejects imposition of Bosnia plan

By Robert Mauthner in New York

THE US will support the plan for a Bosnian peace settlement proposed by international mediators Mr Cyrus Vance and Lord David Owen, if it is accepted by all the warring parties. But it will reject any attempt to impose it on the Bosnian Moslems if they continue to reject it, the White House said yesterday.

However, White House spokeswoman Dee Dee Myers said President Bill Clinton would put forward proposals aimed at making an agreement more acceptable to Moslems.

The Clinton administration has not yet clarified its policy

on Bosnia and there are evidently considerable differences of opinion between the president's advisers on how to handle the problem. However, the prevailing view in Washington appears to be that the Moslems are getting a bad deal.

Most US officials appear to be convinced that the Moslems will never agree to a map dividing Bosnia into 10 semi-autonomous provinces because they consider that these endorse at least some of the effects of the Serbs' policy of so-called ethnic cleansing. That may have, so far, been endorsed only by the Bosnian Croats.

Mr Vance and Lord Owen continue to deny vigorously that the Moslems come off sec-

ond best in their plan. Though they admit that it is impossible to return to the pre-conflict situation, they emphasise that the Serbs will have to give up as much as 25 per cent of the territory they occupy.

They also stress that they have gone out of their way to meet Moslem demands that Bosnia should continue to have a central government, responsible for foreign affairs and able to veto any move by the Serb provinces to join up with a greater Serbia.

The mediators further point out that their peace plan already has the support of all the permanent members of the United Nations Security Council, including Russia and China

and the European Community. However, they would be very happy to endorse any alternative proposals from the US which were acceptable to all the warring parties and the Security Council.

Reuter adds from Zagreb: The Croatian government and rebel Serbs agreed to talks at the UN in New York to stop renewed fighting in Croatia's Serb-held Krajina region. Mr Cedric Thornberry, deputy chief of the UN's military peacekeeping mission in former Yugoslavia, said:

"Greece said yesterday it would accept international arbitration on the name and recognition of Macedonia, the former Yugoslav republic."

Greece softens stance on Macedonia

GREECE has adopted a new position on recognising the former Yugoslav republic of Macedonia, saying the issue of its name should be resolved through international arbitration and Athens would abide by any decision, Reuter reports from Athens.

Athens had maintained it would never recognise the former Yugoslav republic under the name Macedonia, arguing it implied territorial threats against Greece's own Macedonian region.

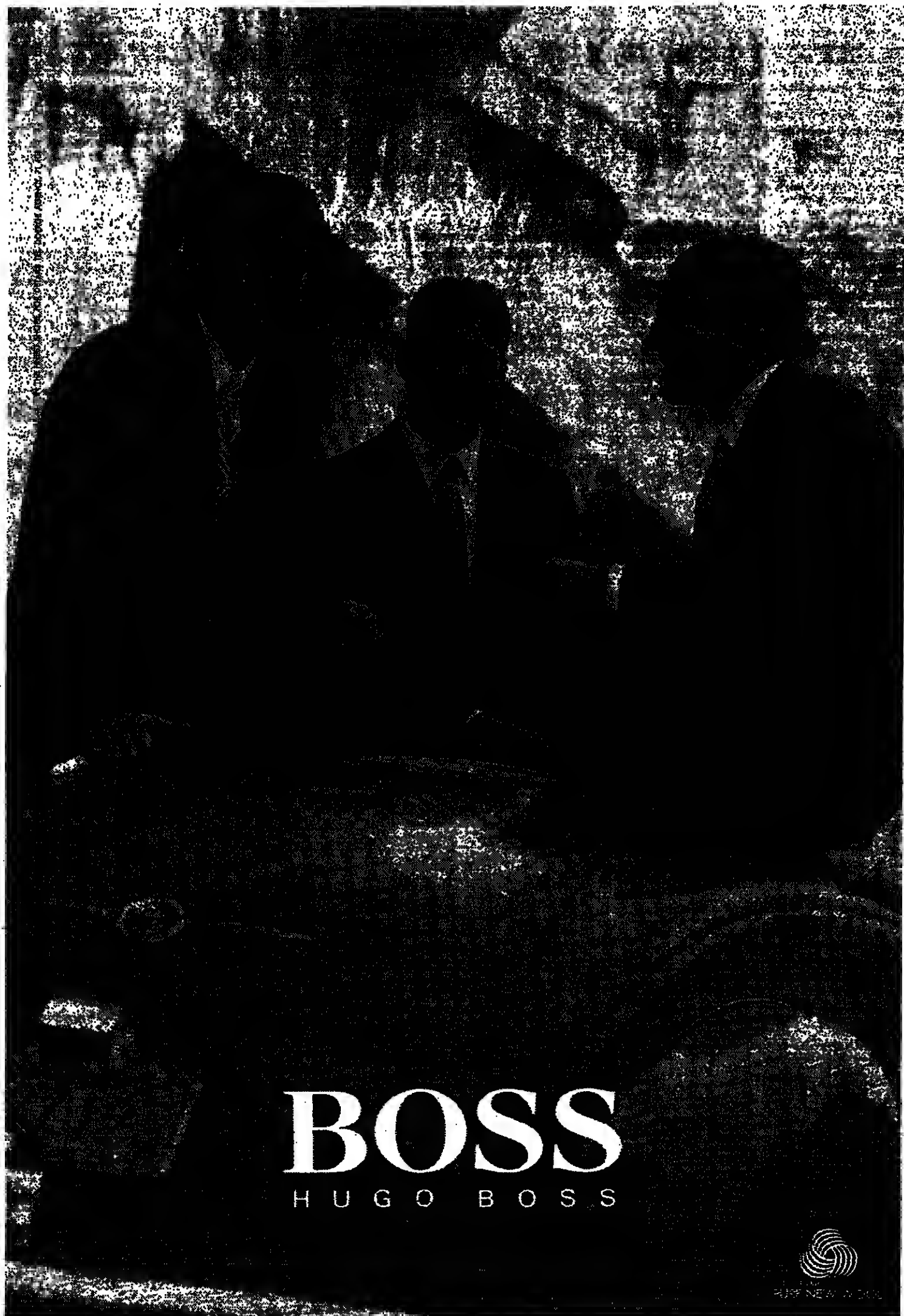
It blocked the republic's recognition by the European Community.

Mr Vassilis Maginas, government spokesman, describing it as "a new position of the government", confirmed statements to Bulgarian television on Wednesday by Mr Constantine Mitsotakis, the Greek prime minister, who said Athens was willing to accept any decision taken through international arbitration.

The idea of arbitration between Greece and Macedonia was first suggested by France in January. Athens then said it was willing to discuss the proposal but Macedonia turned it down.

Meanwhile, Mr Branko Crvenkovski, Macedonian prime minister, said that United Nations sanctions against the rump Yugoslavia and the dispute with Greece are raising tensions and threatening the economy of his country.

"The block by Greece and by the United Nations against Serbia and Montenegro has cost Macedonia \$1.5bn," Mr Crvenkovski said during a visit to Rome yesterday.



مكتبة

Bentsen predicts reduced trade surplus with US

Tokyo welcomes discount rate cut

By Charles Leadbeater and Emiko Terazono in Tokyo

JAPAN'S business and political leaders yesterday gave a resounding welcome to the Bank of Japan's 0.75-point cut in the official discount rate, to 2.5 per cent, as an important step towards reviving the economy.

The domestic welcome was amplified by Mr Lloyd Bentsen, US treasury secretary, who said the cut would be instrumental in whittling down Japan's trade surplus with the US. He said the cut would revive Japanese demand and "help shrink Japan's very large external surplus, as well as strengthening world economic growth".

The Bank of Japan decided on the cut, the sixth consecutive cut since 1981, when the discount rate stood at 6

per cent, at an emergency meeting of its policy board yesterday morning.

Mr Yasuhiro Mieno, bank governor, said the cut was justified because the adjustment of the economy after the collapse of the speculative bubble economy of the late-1980s had been much more severe than expected.

He said other factors in the bank's decision included stable wholesale and consumer prices, the rising trade surplus and the recent sharp contraction in the money supply. The cut should help to stimulate bank lending and thus rekindle growth in the money supply.

The bank had agreed on the cut only after intense pressure from its masters in the ruling Liberal Democratic party.

Business leaders praised the long-awaited cut but immediately stressed that it needed to be followed by income

tax cuts to stimulate depressed personal consumption. Mr Soichiro Toyota, chairman of the car-maker, Toyota Motor, said an income tax cut should be introduced as soon as possible to lure consumers to resume spending.

Mr Koichi Ahe, of Chubu Electric Power, said the cut would have a limited impact unless there were further stimulative measures such as increased public works spending. Mr Takeshi Nagano, president of the Japan Federation of Employers' Associations, called on the government to take every measure it could to revive the economy if it sank further next month.

Mr Yoshio Hayashi, finance minister, said the priority was to pass the 1993 budget, which would increase overall spending by about 7 per cent. He said an income tax cut would not stimu-

late the economy. The ministry favours higher spending on public works.

However, a task force set up by the LDP is expected to recommend soon an emergency fiscal package of about ¥4,000bn (£21bn), including an income tax cut.

Government ministers called on the commercial banks to pass on the official discount rate cut to lenders by lowering their short-term prime rates. It is thought the banks will consider a cut as early as next week.

The long-heralded cut left the Tokyo equity and foreign exchange markets unmoved. The Nikkei stock average, which closed 35 points up on Wednesday, lost 31 points to 17,190 yesterday.

The yen was almost unchanged, falling ¥0.27 to ¥124.6 against the US dollar in Tokyo.

Yeltsin accuses central bank of adventurism

By Leyla Bouillon in Moscow

RUSSIAN President Boris Yeltsin yesterday assailed his central bank chairman and economics minister, accusing them of pursuing reckless policies. Mr Boris Fyodorov, the deputy prime minister and new financial overlord, joined the attack with a warning that the country was "at the gates of hyperinflation".

Mr Fyodorov is planning a public showdown if he fails to obtain the agreement of Mr Viktor Geraschenko, the central bank chairman, on a tough stabilisation policy to stave off hyperinflation. Accusing his predecessor, Mr Yegor Gaidar, of not having a financial policy, he is also trying to get the government to focus on reining in spending and restructuring the economy.

In an apparent show of support for his deputy prime minister, Mr Yeltsin accused the central bank of "a most crude mistake, adventurism" in issuing Rb3 trillion in cheap credit to state-owned enterprises.

"The consequences of this financial injection will be felt through the currency year," he was quoted as saying.

The Belarus parliament ratified the Start 2 treaty yesterday, leaving Ukraine the only former Soviet republic still considering the pact, AP reports from Minsk.

The Strategic Arms Reduction Treaty and its protocols require Belarus to surrender all SS-25 single-warhead missiles it inherited from the former Soviet nuclear arsenal.

The parliaments of Russia and Kazakhstan ratified Start 1 last year. The treaty was signed in 1991 by former US and Soviet Presidents George Bush and Mikhail Gorbachev.

If ratified by Ukraine, the treaty would leave Russia as the only one of the four with nuclear weapons. It also would make deep cuts in the nuclear arsenals of the US and Russia.

After a stormy cabinet meeting at which Mr Yeltsin accused Mr Andrei Nekhayev, the economics minister, of doing nothing about industrial restructuring, the minister promised the government would now take tough action on all fronts.

"We understand the situation better. The lessons [of the past year] have not been lost

on us," Mr Nekhayev said, stating that many of the Gorbachev's radical policies had only been "words" or had been buried by subsequent compromises. He also said people now "understood that inflation can be really dangerous. It's like radiation, it's not immediately visible but extremely destructive".

With inflation at 30 per cent in January (compared to the 50 per cent monthly benchmark for hyperinflation), he said the government also had to "restrain itself" and take the blame for at least Rb1 trillion in credits issued to agriculture.

Pending implementation of a bankruptcy law, the government would also publish embarrassing studies of "potentially bankrupt" enterprises as a warning to others. He said that the most spheres most vulnerable to closure or reorganisation were the coal industry, agriculture, and machine-building, which he described as "uncompetitive".

To increase government revenues and preserve the country's economic integrity, he said the government would be reviewing special tax and other benefits given to individual regions and enterprises.

Call for public funds to aid stocks

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic party yesterday called for more public funds to be used to support stock prices, reflecting widespread concern that the Tokyo market will fall sharply before the close of the fiscal year next month.

An LDP committee responsible for economic policy complained yesterday that only ¥1,000bn (£5.3bn) of a maximum of ¥2,820bn in public funds made available last year has flowed into the stock market, and requested an urgent injection of fresh funds.

Under an emergency economic package announced last August, managers of postal and other public funds were given more freedom to invest in stocks, up to the ¥2,820bn level, but some managers are believed to have chosen other, safer investments.

The Ministry of Finance has also attempted to prop up the Tokyo market by urging banks and other financial institutions not to sell stocks before the close of the fiscal year. In the final weeks of a fiscal year, Japanese institutions generally sell stocks to realise profits and bolster their accounts.

Members of the LDP committee plan to visit the Ministry of Posts and Telecommunications and the Ministry of Health and Welfare, which control most of the public funds, and request that the investments be made as soon as possible.

However, the two ministries have received many complaints from depositors and pension fund members, who are concerned that their money is being used in a risky share support exercise. The minis-



Busy trade on the floor of the Tokyo Stock Exchange yesterday morning after the cut in Japan's official discount rate

tries argue that the funds will play a limited role in reviving the market, which will recover only when there is genuine investor demand for stocks.

"People get the wrong idea about the sort of influence we have. If we invest money at the right moment, we can have a limited impact on stock prices,

but we can't support the market indefinitely," the Postal Ministry said.

But LDP officials will insist that the two ministries invest the full ¥2,820bn in shares by April, and they would like further public funds to be set aside to ensure the longer-term health of the market.

The LDP, under pressure from the financial industry, has also begun studying a plan to use public funds to assist the banking industry. There is concern in the party that the banks' own Co-operative Credit Purchasing Company will be unable to cope with the pile of non-performing property loans.

Japanese lose ground in drugs market

By Paul Abrahams

EUROPEAN and US drugs groups are threatening to dominate the world's market, leaving their Japanese counterparts trailing, according to a study by Datamonitor, the London-based strategy consultants.

In particular, the European groups' dominance will be driven by their innovative research and development, new products and international marketing strength.

Only three Japanese companies, Takeda, Sanofi and Shionogi, are among the world's top 25 drugs groups, and none is in the top 10. Japan ran a trade deficit of more than \$500m in 1992.

Repeated price cuts implemented by the Ministry of Health and Welfare have seriously handicapped the Japanese industry.

Japanese groups have been hit disproportionately because of their dependence on the domestic market. Takeda, the largest Japanese group, generates 98.6 per cent of its turnover in Japan.

Japanese spending on research and development has doubled in the past 10 years, though sales increased only 50 per cent. The Datamonitor report warns, however, that the Japanese R&D push may come too late, because of increasing penetration of the Japanese market by western drugs groups. This, it argues, is likely to accelerate a consolidation of the Japanese industry.

"The Japanese pharmaceutical market 1992-1995, Datamonitor, 106 Baker Street, London W1M 1LA, 071 625 85 48, ISBN 0 7546 0000 0.

Poland set for showdown on size of budget deficit

By Christopher Bobinski in Warsaw

POLAND'S coalition government faces an important test of its budget policies as parliament continues to press for a larger deficit than the International Monetary Fund is willing to accept as the basis for a \$660m (£437m) stand-by loan.

The government of Ma Hanna Suchocka is attempting to push this year's deficit to 81,000bn zloty (£3.3bn) or 5 per cent of GDP, a vital step towards Poland being able to settle its financial affairs with western partners.

Western commercial banks will not sign a restructuring

agreement on the \$12.3bn-worth of debt unless the IMF agreement is in place. A further 20 per cent reduction of western government debt worth \$30.6bn is also predicated on agreement with Washington.

The World Bank has said it will not free a \$450m loan designed to help restructure domestic and bank and company debts until the IMF deal is agreed. Western governments are also waiting for the IMF before freeing their shares of an unspent \$1bn fund set up in 1989 to support Poland's currency.

On Wednesday the government lost another pensins vote in parliament, thus raising spending this year by an

extra 20,000bn zloty to 30,000bn zloty. This, taken together with other votes in the past few weeks, threatens to push this year's deficit past 120,000bn zloty.

The government now plans to stake all on a final vote on February 12 in which it will ask the 460-strong Sejm parliament's more important chamber, to shelve its previous decisions and approve the budget with its original 5 per cent of GDP deficit figure.

It appears unlikely the government would resign if it failed to win the vote although it would then certainly have to return to the IMF and revise a letter of intent delivered at the end of last year.

Algeria loses some credibility with departure of key minister

By Francis Ghiles

THE resignation of Algeria's foreign minister, Mr Lakhdar Brahimi, is a considerable blow to the international reputation of the government of Prime Minister Belkaid Abdessalam.

Mr Brahimi is one of the Arab world's most respected diplomats. In 1989 he brokered the Talf agreement that brought a measure of peace to Lebanon.

His departure late on Wednesday underlines the prime minister's desire for unchallenged authority and his unwillingness to allow even a long-standing political friend

any great authority over his own department.

The daily Algerian newspaper El Watan said yesterday that the cabinet reshuffle which followed Mr Brahimi's resignation suggests Mr Abdessalam has no intention of negotiating with other political forces.

Three weeks ago, the acting head of state, Mr Ali Kafi, said his five-man interim presidency - which took over from President Chadli Bendjedid 13 months ago - would seek the people's endorsement for a transitional arrangement before a final agreement on a new constitution. The embat-

tled prime minister faces two challenges. A year after declaring war against fundamentalist groups, the security forces are still mired in bloody clashes with the radicals.

The second challenge is economic. The budget deficit is set to double this year to 168.3bn (€2.2bn), equivalent to some 40 per cent of budget receipts, a figure which will make it more difficult to seal an agreement with the International Monetary Fund. Spending on defence and security is set to increase by 50 per cent, while 63.5bn will be allocated to the recapitalisation of loss-making state companies.

Chinese steelmaker to cut 80,000 jobs

By Bob Jones

WUHAN Iron & Steel, the fourth largest steelmaker in China, is to cut its workforce by two-thirds in an effort to achieve western standards of efficiency, Xinhua news agency reported yesterday.

However, none of the 80,000 workers affected will find themselves out of a job. Wuhan's decision appeared to conform with the stated aim of the country's paramount leader, Deng Xiaoping, of breaking the "iron rice bowl", which guarantees workers' basic necessities from cradle to grave. Last year, the plant, China's main producer of tinplate, made 1.2m tonnes of tinplate, produced just under 5m tonnes of crude steel with a workforce of 120,000. By contrast, British Steel employed about 40,000 to produce 12.1m tonnes.

In cutting the number of workers and transferring them to ancillary companies, Wuhan is treading a path already well worn in the west. British Steel had

to reduce its workforce radically in the 1980s. Italy's Ilva, which has just hired a Japanese managing director, is following the same route.

In Japan, where employees are used to having a job for life, steelmakers have had to diversify to maintain employment as well as profits growth.

However, these companies have been faced by stagnant or declining markets for their output. China is one of the very few places where steel demand is booming.

Imports are up steeply and, according to Mr Hafid Hassan, an analyst at Asian Capital Partners in Singapore, the supply-demand gap will rise to 12 per cent this year.

Wuhan has not had the same high levels of investment as some of its large rivals in China. The country's steel powerhouse, Baoshan, in Shanghai, made 6.5m tonnes of crude steel in 1992, up from 4.7m the previous year. Shougang, in Beijing, saw production rise to 5.7m from 4.9m. Wuhan's production rose by

just 390,000 tonnes. But, as a producer of sheet steel, Wuhan remains a key player in the development of the Chinese steel industry. Last year, it announced plans to invest in a tinplate facility in the Pearl River delta near Hong Kong, adding to the huge growth of investments in China's coastal regions.

China produced 80m tonnes of crude steel in 1992, 9m tonnes more than in the previous year and the biggest increase in the world. China wants to produce 100m tonnes by 2000, according to estimates from the ministry of metallurgical industry. Production could rise to 110-120m by 2010 - which would almost certainly make China the world's biggest producer.

Other Chinese steelworks are also planning investments to meet this growth. Baoshan, which is set this year to become the holding company for all the steelmaking facilities in Shanghai, is looking for investment at home and overseas for a greenfield steel plant in

Guangdong province. The plant is set to produce eventually 10m tonnes a year. Baoshan also wants to build a 3m-tonne plant in Zhejiang province, using the latest thin strip casting technology which looks set to slash globally the costs of sheet steel manufacture.

Shougang intends to build a 10m-tonnes-a-year steel plant in Shandong province. In an effort to meet the raw material requirements for this expansion, Shougang bought a Peruvian iron ore mine last year and, last month, started dismantling a disused melt shop in California for shipment to Shandong.

As steelmaking in China is hugely profitable, Wuhan's move to cut costs is not necessitated by immediate fears of losing money. Rather, it is aimed to create a leaner, more flexible organisation to help pay for investments and prepare for the inevitable downside in this cyclical industry.

Bob Jones is deputy editor of Metal Bulletin

Keating braces himself against chilly wind from the west

State election is crucial to the future of Australia's Labor government, writes Kevin Brown in Perth

MR Paul Keating, Australia's Labor Prime Minister, will have his eyes fixed firmly in a westerly direction on Saturday as the results come in from a state election which could make or break his government.

The state of Western Australia (WA) is critical to the federal government, which will need to hold most of its six marginal seats in the state to be re-elected. So far, however, the signs are not encouraging.

Officially, Mr Keating played no part in the WA state government's decision to go to the polls three months before its mandate expires. But no-one doubts that Dr Carmen Lawrence, the state's Labor premier, called an early poll partly to help clear the decks for a federal election expected on April 3.

Labor's strategy is to give WA voters a chance to vent their anger against the party in the state election, in the hope

that the faithful will return to the fold in the federal poll.

Dr Lawrence, who in 1990 became Australia's first female state premier, has tried to focus voters' attention on traditional Labor issues such as education, health and social justice. But she has found it impossible to distance herself or her party from the so-called WA Inc scandal, which has fascinated Western Australians for the last five years.

A government-appointed royal commission reported late last year that the normal processes of democratic government had virtually broken down under Mr Brian Burke, who took the WA Labor party to power in the state in 1983, and his successor, Mr Peter Dowding.

Their intention was to build

a partnership with local business to encourage economic growth and provide finance for ambitious social programmes.

The reality, the commission found, was a network of slush funds, backdoor deals kept hidden from parliament, and "the secret purchase of political influence".

Satchels stuffed with cash were kept in ministers' offices, political cronies were appointed to highly paid public service jobs, and the commission also found evidence of bribery.

The roller coaster crashed in 1990 when a desperate state cabinet replaced Mr Dowding with Dr Lawrence, one of the few state Labor leaders not implicated in the scandal.

Several local businessmen have since been convicted of offences related to the scandal, and both Mr Burke and Mr Dowding face criminal charges. Mr Burke's trial is scheduled to begin two days after the election.

Surprisingly, Dr Lawrence was given a breathing space by the state's conservative opposition parties, which hickered their way to defeat in the last two elections.

However, the Liberal Party and the National Party agreed in November to unite under the leadership of Mr Richard Court, the recently elected Liberal leader and son of a former Liberal premier.

Mr Court is no keener to discuss the details of WA Inc than Dr Lawrence, mainly because another former Liberal premier is alleged to have accepted



Keating: make or break

A\$25,000 (£11,160) to help Alan Bond's Bond Corporation win planning permission for a hotel project.

But he has successfully limited the damage to the conser-



Lawrence: breathing space

vative coalition by concentrating on promises to clean up the public service and restore probity to government.

"The royal commission showed that Labor had acted

illegally and improperly," he says. "They were always prone to put their own political interests ahead of the interests of the people of WA, and Labor voters feel betrayed by that."

Unfortunately for Dr Lawrence, the only other significant issue in the election is the state economy, which grew significantly faster than the rest of Australia in the 1980s, but has slowed in the last two years.

Labor is forecasting growth of 4 per cent this year, but the positive message is being ignored by voters who are more concerned about unemployment, currently at 11.1 per cent.

The state government's growing desperation was underlined on Monday, when Dr Lawrence suddenly agreed to a televised debate with Mr Court.

The debate provided little new information, but Mr Court

was clearly the winner because the premier was unable to dent his air of assurance.

Opinion polls gave the conservatives a state-wide lead of up to 11 points, which would be sufficient for a landslide victory if translated into votes on Saturday.

However, even a uniform swing of 1 per cent would be enough to give the conservatives the two seats they require to form a government, while a comparatively modest swing of 4 per cent would cost Labor 12 seats.

The result is that Western Australia is almost certain to fall in the last year, following Tasmania and Victoria into the conservative camp.

The best Mr Keating can hope for is a narrow conservative victory, followed by a return to the fold by Labor voters in the federal election. But precedent suggests that even this scenario is optimistic.

Clinton seeks further defence cuts

By George Graham
in Washington

THE CLINTON administration is looking for further cuts in US defence spending, despite warnings that it may prove difficult even to achieve the savings already projected by the Bush administration.

Defence Department officials have been asked to find savings of about \$10bn from the \$280.5bn national defence budget for the 1994 fiscal year, submitted by President George Bush shortly before he left office last month.

Press reports said the army, navy and air force would each be asked for \$2.5bn-\$3bn in savings on the Bush budget, which, although \$6bn higher than last year's defence budget, represented a drop in inflation-adjusted terms.

These cuts are expected to require reductions in troops beyond the levels planned by Mr Bush.

Additional savings were expected from the strategic defence initiative, which the administration is expected to strip of the ambitious, space-based components favoured by the Bush and Reagan administrations and trim to a more limited, ground-based defensive system against missile attacks.

President Bill Clinton has promised to cut \$60bn from the defence budget over five years, but Mr Les Aspin, defence secretary, has warned that the Bush budget baselines already assume substantial savings that may be difficult to achieve and include plans for big weapons systems that have not had



President Clinton in cabinet with (from left) Robert Rubin of the National Economic Council, Treasury Secretary Lloyd Bentsen and Commerce Secretary Ron Brown. In the foreground are Vice-President Albert Gore and Labour Secretary Robert Reich.

adequate funds allocated to them over the long term.

Mr Aspin is also expected to add funds for some programmes in his budget, especially in the field of helping defence industries convert to civil operations.

Senator Sam Nunn, chairman of the Senate armed ser-

vices committee, has sounded even more ominous, cautioning that the department may have overstated the savings from a review of its management practices by as much as \$50bn, and that the Bush plans for a 450-ship navy are unworkable on the money currently budgeted.

Congressman John Murtha,

chairman of the House subcommittee that approves the details of the defence budget, has also warned that defence savings may prove hard to find unless the US scales down overseas operations such as its present involvement in Somalia.

The defence secretary has

said, however, that the new administration remains committed to finding the \$80bn cuts Mr Clinton promised over a five-year period, even if most of the reductions materialise later in that period.

Mr Clinton is expected to submit his budget to Congress by March 23.

EC-Japan meeting to discuss trade gap

By Michio Nakamoto
in Tokyo

THE EC Commission and Japan will hold their first meeting of trade experts in Tokyo this month, in an attempt to ease friction over Japan's growing trade surplus with the EC.

The meeting, set for February 23, will look at why Japan's trade surplus with the EC is widening. After a second meeting, the results will be reported to Japan-EC subcommittee level talks scheduled for April.

The decision to hold the talks comes amid growing EC concern over its deteriorating trade balance with Japan.

At a meeting of European businessmen on Tuesday, Sir Leon Brittan, EC Commissioner for external economic affairs, made clear his concern. He urged Japan to make more effort to remove structural barriers to trade and create an environment in which European companies could compete on equal terms with their Japanese competitors.

Japan's trade surplus with Europe increased 14 per cent to a record \$31.18bn (£20.6bn), according to Japanese government estimates last month.

The Ministry of International Trade and Industry said Japan was increasing efforts to stimulate imports from the EC and expected to see a gradual improvement. It said Japan was working to correct the imbalance by, for example, extending for another two years a special tax break for companies which increase imports to Japan.

Japan's official view is that trade imbalances require macroeconomic measures rather than short-term adjustments.

The EC imported \$62.5bn of goods from Japan but exported only \$31.3bn to that country. The value of cars imported from Japan to the EC last year, up to November, increased 9.7 per cent to \$13.6bn, while the value of EC-made cars imported into Japan fell 11.3 per cent to \$4.7bn.

Delors calls for industrial leadership

By David Gardner in Brussels

MR JACQUES DELORS, president of the European Commission, yesterday made an impassioned plea for vigorous leadership to relaunch world economic growth, combined with a warning that, if the EC could not co-ordinate policy with the Americans, it would have to stand up to them.

His remarks follow his call on Monday for a spring summit of the Group of Seven industrialised countries to co-ordinate macroeconomic policy, and come amid worsening relations with the US after Washington's trade policy, "I disavow that Europe".

Mr Delors told the conference that "classic models of growth are not sufficient to produce jobs", and that "the Community cannot survive without an industrial policy". This was not a case of "backing so-called Euro-champions", he said.

In his wide-ranging, unscripted remarks, Mr Delors said the EC should also reappraise whether it could let itself be undercut by competitors with sweat-shop labour conditions. "We should distinguish... between those [countries] which share the fruits of their trade and those which simply exploit their workers."

Behind this remark, senior EC officials are watching with intense interest to see whether the Clinton administration insists that Mexico reach agreements with the US and Canada on environmental standards and working conditions, as part of the North American Free Trade Area treaty.

But he denounced the unilateral US imposition of trade sanctions on the EC. He referred angrily to what he called President Bill Clinton's "need to preen in front of the mirror to make sure that his muscles are still firm", and said that, if Europe allowed itself to be trampled on by Washington's trade policy, "I disavow that Europe".

Mr Delors told the conference that "classic models of growth are not sufficient to produce jobs", and that "the Community cannot survive without an industrial policy". This was not a case of "backing so-called Euro-champions", he said.

Baseball team owner suspended for racism

By George Graham
in Washington

CRITICS OF the US baseball industry have welcomed the decision of the major league's executive council to suspend Mrs Marge Schott, owner of the Cincinnati Reds team, for repeated derogatory remarks about blacks and Jews.

The critics warned, however, that they want more progress towards ending the sport's virtual exclusion of blacks from senior management positions.

Mrs Schott, the only woman owner of

a major league baseball team, is known for an eccentric management style that has alienated many of her employees and a large dog that has left his mark on the Reds' playing field.

She will be fined \$25,000 and suspended from running the club for a year, although she may apply for reinstatement after nine months if she undertakes racial sensitivity training.

Mr Kwesi Mfume, chairman of the US Congress Black Caucus, said: "The real issue is ending the system of major league apartheid that for too long has been part of our national athletic make-up."

Mr Jesse Jackson, the Washington politician who has led the campaign to open up management positions on professional sports teams to blacks and other minorities, warned that baseball could still face a boycott next season if it does not improve its hiring practices. Professional sports as a whole have come under increasing attack, because although many of the players - most in the cases of basketball and American football - are black, all but a handful of managers and coaches are white.

Baseball teams have, by some

measures, made better progress than their basketball and football counterparts at improving their minority hiring records, although the two major leagues themselves still lag, with only two black umpires.

But the \$1.65bn (£1.09bn) a year baseball industry faces a deep financial crisis, with player salaries doubling in the last two years while attendance and television viewing figures have dipped.

And now it has trouble claiming the title of America's national game in the face of basketball's growing popularity.

Indonesian approval for waste plant project

By William Keeling in Jakarta

THE Indonesian government has approved a \$100m (£66m) venture to build a toxic waste processing plant 30km outside Jakarta in West Java. The plant, expected to be working by the end of this year, will have capacity for 85,000 tonnes of waste a year.

The plant will be owned 70 per cent by Waste Management International of the US and 30 per cent by Indonesia's Biman-

tara Citra Group, run by Mr Bambang Trihatmodjo, President Suharto's second son.

Mr Emil Salim, environment minister, said the plant had to process domestic waste exclusively. Officials estimate factories in West Java produced 68,000 tonnes of toxic and hazardous waste last year and say plans for a second plant in the area are being considered. The plant's approval coincides with a tightening of the government's environmental policy.

Portuguese gas talks collapse

By Peter Wise in Lisbon and William Dawkins in Paris

TWO YEARS of negotiations on an \$8103bn (\$704m) project to pipe natural gas into Portugal have collapsed.

The deadlock calls into question the Lisbon government's plan to introduce natural gas by 1995 as an alternative to coal and oil. Portugal is the only European Community country without a natural gas supply system.

The collapse also leaves a question mark over a 900MW plant powered by natural gas and being constructed in Portugal by a Siemens-led consortium, and over plans for another, similar plant to be built by 2001. Also, plans to buy liquefied natural gas (LNG) from Algeria will almost certainly be scrapped.

The government called off talks between Natgas, an international consortium led by Gaz de France (GDF) and Electricidade de Portugal (EDP), Portugal's power company, after the two had failed to agree on prices and risk-sharing.

"We would rather have no deal than a bad deal," Mr Luis Pereira, Portugal's energy secretary of state, said. He blamed GDF, saying it had expected EDP to take on exaggerated risks. It had insisted on too high a demand price for fixed costs and had undermined the talks by reviving already agreed questions close to negotiating deadlines.

GDF refused to comment in detail yesterday, beyond stressing that it was up to Natgas to respond. "Gaz de France, like all the partners, remains determined to bring off this project, which it estimates to be viable, if only the points in dispute can be overcome," said the group.

Natgas's largest shareholder is Gaz de Portugal, the local gas distribution group, with 25 per cent, followed by GDF (23 per cent), Total (13 per cent), Ruhrgas (13 per cent), the Portuguese government (10 per cent), and two Portuguese companies with 8 per cent each. But GDF led the negotiations and was to be industrial operator, said an official of the French group.

Lisbon is now studying alternatives.

"We are not giving up on natural gas," said Mr Pereira. "It is our alternative fuel for the future."

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NOTICE OF MEETING

The holders of EURO DISNEY S.C.A. 6.75% June 1991 Convertible Bonds in the aggregate principal amount of FF 3,969,000,000 are invited to attend a General Meeting of Paris, 1-3 Rue Lafrance, 75009 PARIS, France (room 216) to deliberate on the following agenda:

AGENDA

1. Approve the authorization given by the Extraordinary General Meeting of Shareholders on February 11, 1993 to issue Convertible Bonds without preferential subscription rights.

2. Powers in order to carry out all formalities that may be required.

3. If quorum is not reached or if for any other reason the General Meeting is unable to deliberate validly, a second General Meeting will be convened with the same agenda on Wednesday March 3, 1993 at the same time and place.

4. To take part in the General Meeting in person or by proxy, holders of registered Convertible Bonds will have to be registered at the latest five days before the date of the meeting.

Holders of Convertible Bonds must ensure that the manager of their account confirms prior to the same date their bondholding as at the date of the meeting with an approved intermediary.

The General

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OBITUARY

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Widow of Edward and loved

mother, mother-in-law,

sister of the late Tom and

devoted grandmother.

A much loved daughter,

granddaughter and niece.

Rest in peace.

NEWS: UK

Chancellor tells markets to remember that rates can go up as well as down

Lamont shuns fresh interest rate cut

By Philip Stephens, Political Editor

MR NORMAN LAMONT, the UK chancellor of the exchequer, made it clear yesterday there was little immediate prospect that he would follow the Bundesbank and cut British interest rates again soon.

Amid fears in Whitehall that lower German rates might provide only a temporary respite for the pound, Mr Lamont stressed in a series of prepared responses to questions from MPs that he was not prepared to jeopardise the government's anti-inflation policy by risking a new sterling crisis.

"Markets should remember

that interest rates can go up as well as down", he said.

His comments came as the Treasury prepared to reassess a nervous financial markets about its medium-term economic strategy with the announcement of the most sweeping review of public spending for a decade.

The spending review, led by Mr Michael Portillo, the chief secretary to the Treasury, will aim to convince the markets that the government has a coherent framework to reduce a budget deficit which is forecast to reach £50bn next year.

Mr Portillo, a rising star on the Thatcherite right of the Conservative Tory party, will

examine in particular the scope for cuts in the £76bn social security budget, which now accounts for around a third of all spending - and provides for benefit payments for the unemployed. But the review, which will be unveiled later this month, will embrace also all the main Whitehall budgets.

The relative calm which returned yesterday to London's financial markets did little to dispel the doubts at Westminster over Mr Lamont's future as chancellor after the March 16 Budget.

Mr John Major pointedly sidestepped a direct question in the House of Commons on

whether Mr Lamont would deliver the second Budget of the year in December. To Mr Lamont's discomfort Mr Major replied ambiguously: "I can't imagine anyone other than the chancellor of the exchequer presenting a Budget."

In an attempt to dispel the impression of disarray in the government's economic strategy, the chancellor repeated several times that the recent cut in British borrowing costs to 6 per cent had been "fully justified" by the inflation outlook.

He told MPs that it "was based on the advice of the Bank of England. It was based on what is happening to money

supply and to asset prices."

Appearing alongside the chancellor Mr Portillo brushed aside suggestions that the pound's recent fall would translate into an acceleration of inflation. But Mr Lamont said that the Treasury would continue to take the exchange rate into account in its interest rate judgements. The chancellor sought also to lift the economic gloom which descended again after this week's failure of Daff-Leyland by pointing to encouraging signs of an upturn in the housing market. But neither he nor his Treasury colleagues would rule out the possibility of tax increases in the March Budget.

Jobs and exports 'lost because of credit terms'

By David Dodwell, World Trade Editor

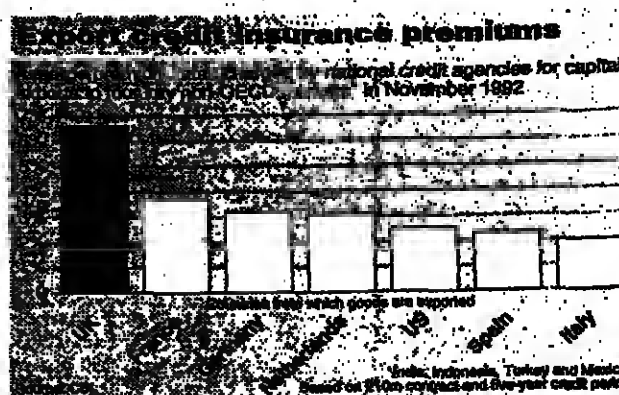
THOUSANDS of British jobs are at risk and exports worth hundreds of millions of pounds are being lost because of the high cost and limited availability of export credit cover, says a group of leading British exporters.

Recent examples include a \$40m contract to build a urea complex in China that has been bid for by Snamprogetti in Italy, instead of the company's Basingstoke subsidiary, because the export credit insurance premium of 2.1 per cent offered by Italy's state insurer was almost one third of the 5.6 per cent premium required by Britain's Export Credits Guarantee Department.

Exporters are annoyed by a letter from the ECGD this week informing them that "as a result of recent business success in the (Indonesian) market, ECGD cover is now fully committed and therefore we cannot accommodate" cover for further business.

The letter arrived just days after an intensive and strongly supported export-promotion seminar on Indonesia in London by the Department of Trade and Industry.

"Talk about punishing success," one export financier said, "it would have been better for the ECGD to say nothing at all. Why turn the lights out just as you have set everything down in the plane?"



The examples endorse evidence presented this week to the House of Commons trade and industry select committee by Major British Exporters - a group of 10 leading UK companies active in construction, power plant and engineering - that the high cost of UK export finance presented exporters with "one of two unpalatable alternatives: abandon the business altogether, or to try to move as much work as possible offshore to countries whose export credit authorities are more accommodating."

Mr John Fletcher, Trafalgar House's marketing and business development director, said the ECGD's refusal to provide export credit cover for a contract to build a \$200m synthetic medicine plant in Russia forced his company to transfer the work to its US subsidiary, where the US Eximbank had been willing to provide cover.

A contract for a \$20m chemical plant in Pakistan was transferred to John Brown subsidiaries in Holland and France for the same reason, he said.

The exporters' group called for ECGD country coverage to be comparable with that of competitors; for premium rates to be harmonised with those of competitor countries; and for the government to provide aid-supported finance where competitors provide it.

"We believe a combination of these issues is very damaging to our industries and encourages an ever-increasing transfer of work from this country to our competitors in Europe and elsewhere," Sir Robert Davidson, chairman of Balfour Beatty, told the select committee.

Lloyd's to overhaul committees

By Richard Lapper

LOYD'S of London yesterday announced a radical overhaul of its complex committee structure as part of efforts to improve management and cut costs at the insurance market.

The insurance market will disband 31 of 48 committees that advised or acted on behalf of the council, the market's governing body. Their functions will be assumed by new market and regulatory boards.

Mr David Rowland, chairman, said the changes represented a "very substantial change in the way in which we handle our affairs" and would bring Lloyd's into line with standard corporate practice.

Members of the two new boards would be asked to take individual responsibility for areas of work - ranging from training to registration of agents and brokers - formerly handled by committee, said Mr Rowland. Lloyd's had been "bedevilled for years" by its committee structure. Representatives of agencies and brokers spent too much time on committee business, he said.

● Lloyd's announced that 100 syndicates intended to insure against terrorist damage as part of a new mutual company being formed by the UK insurance industry.

OECD urges UK to increase taxes

By Peter Marsh

THE UK government should exercise caution over further cuts in interest rates and raise taxes by up to £10bn to steady the fiscal deficit, the Organisation for Economic Co-operation and Development said yesterday.

The 24-nation body says an over-optimistic programme of cuts in base rates after the drop from 10 per cent to 6 per cent since last September could trigger an inflationary burst that might have to be controlled by monetary tightening. In this case, "output would be stronger for at most a brief period."

In its review of the UK economy, the OECD advocates an extension of value added tax to items such as food and household energy bills. That would raise up to £10bn a year and is thought to be under examination by the Treasury ahead of the Budget on March 16.

The study is mildly upbeat about recovery prospects, predicting growth in gross domestic product of 1.3 per cent this year and 2.4 per cent in 1994.

But it warns that the risk of significant inflationary pressures are "not negligible", given the lower import prices caused by sterling's devaluation and the possibility of

growth in consumer demand if any upturn proves strong.

The study was completed last month by OECD economists, after consultations with the Treasury and Bank of England, and before this week's slide in the pound.

The OECD estimates that under present policies the ratio of government debt to GDP would grow to 45 per cent in 1994, up from 36 per cent last year and 26 per cent in 1990.

To halt this rise the OECD favours a tightening of fiscal policy. This would also prevent a further rise in the ratio of the public sector borrowing requirement (PSBR) to GDP. The OECD says this figure, excluding privatisation proceeds, will reach 7.5 per cent in 1993, before falling back to 6.5 per cent next year.

The OECD says about 70 per cent of the deterioration in the PSBR since 1990 can be accounted for by higher social security spending and lower taxes caused by the recession.

Even though the government has ruled out giving the Bank of England greater control over setting interest rates, the OECD says that removing this area from Treasury control might make monetary policy less subject to political pressures. It could help control inflation in the long run.

How deep will the government go?

Rebel Tory MPs indicate that saving 12 to 14 pits may secure a government majority



Promise on some pits may win coal vote

By David Owen, Michael Smith and Catherine Millett

THE GOVERNMENT may be able to secure rank-and-file support for an energy policy which saved well under half the threatened 31 coal pits, it emerged yesterday.

A series of telephone interviews with the most likely Tory rebels indicated that, while a wide range of views is held, a plan which spared between 12 and 14 pits would be likely to keep the government out of the danger area.

The findings came as delegates at a special conference of the National Union of Mine-workers agreed unanimously to hold a ballot on March 5, in conjunction with rail workers, with a recommendation to stage a 24-hour strike as part of a "rolling programme" of industrial action.

Mr Arthur Scargill, NUM president, said miners were asking the UK government to accept the logic of their case and keep open all 31 pits.

Separately, Mr Stephen Littlechild, electricity industry regulator, expressed strong opposition to proposals to enlarge the market for coal by delaying liberalisation of the electricity market next year.

Postponement of the plans would mean that regional electricity companies would not have to compete with each other for the custom of about 45,000 medium to large customers. They would be sure of the electricity they could sell and would be able to buy more coal on long term contracts.

A delay is among the most attractive options open to the government, even though it would upset free market supporters on the backbenches.

Mr Littlechild's opposition is one more complication for the government as it struggles to complete the work for its white paper on energy.

Mr Michael Heseltine, president of the board of trade, has previously said that he would publish it as soon as possible this month but it is highly unlikely that this will be next week.

Limited production resumes at Leyland-Daf truck plant

By John Griffiths and David Brown

LIMITED production resumed yesterday at Leyland-Daf's truck plant in Leyland, Lancashire, as the receivers reactivated component supply lines which had been stopped abruptly on Tuesday when the truck group collapsed.

The 2,000 employees at Leyland-Daf's van plant, at West-wood Heath, Birmingham, are to resume production today.

In Amsterdam, Daf said it expects regular production at its Eindhoven and Westerlo truck facilities to restart next Monday. Currently, both its Dutch and Belgian truck plants remain restricted by parts shortages.

As the UK plants began returning to life, Daf said the Leyland-Daf receivers would be travelling to Daf headquarters at Eindhoven soon for consultations. Meanwhile, all 5,500 of Leyland-Daf UK employees were at their workplaces yesterday and its UK network of 54 dealers were told that they could take and place orders for both vans and trucks.

The Leyland plant, which had been making around 40 trucks a week, produced only a handful of trucks yesterday because of the components shortage. "But the situation has been getting easier throughout the day", said one employee.

Mr John Major yesterday brushed aside calls for government financial aid to Leyland-Daf as "simply not realistic" in spite of mounting pressure from the Labour opposition to rescue the truck builder, writes Ivo Dawny.

In angry exchanges at questions in the Commons, Mr Major refused to make any commitment to match intervention in the company from the Netherlands or Belgium.

He told Mr John Smith, Labour leader, that the receivers had made clear that parts of the business could be saved without state funding. "I believe that is the way to proceed," he said.

A spokesman for Mr John Talbot and Mr Murdoch McKillop, the receivers, said the intention was to resume "business as normal" as quickly as possible while alternative strategies for the future of the UK operations were studied.

He indicated that an initial assessment of whether, and in what form, the UK operations might be put on the market as a going concern could be in place by early next week.

More than half of the UK dealer network has pledged to continue at its own expense to undertake warranty and other work ordinarily payable by Leyland-Daf, in a show of support for the truck maker.

Meanwhile, some big fleet customers such as the Royal Mail and Parcel Force were understood to be standing by substantial orders already placed with Leyland-Daf.

Leyland-Daf unions yesterday also kept up pressure on the government, demanding an early meeting with Mr Michael Heseltine, trade and industry secretary, to discuss ways of preserving the company.

They accused the government of a "dereliction of duty" in failing to act decisively to rescue Leyland-Daf.

Mr John Allen, chief negotiator for the Amalgamated Engineering and Electrical Union, said up to 15,000 jobs could be lost, taking component and other suppliers into account, if Leyland-Daf went into liquidation.

Such an assessment is not seen as an exaggeration by most motor industry analysts. Because of the relatively high UK content of both vans and trucks, at least two supply industry jobs would be likely to go for each direct job loss within Leyland-Daf itself.

Mr Allen said the losses would be even worse if the Leyland-Daf dealer network itself should collapse, which could mean up to 5,000 people. But Leyland-Daf is the UK market leader, with what is acknowledged to be one of the most efficient dealer networks in Europe.

Britain in brief



Newspapers 'threatened by VAT'

A fifth of Britain's regional newspaper titles could be forced to close, with the loss of nearly 2,500 jobs, if the government decides to impose 17.5 per cent value added tax on their cover prices, according to a study by consultants Price Waterhouse for the Newspaper Society, the body representing most regional and local newspapers.

The newspaper industry is concerned that the chancellor is considering putting VAT on newspapers, magazines and books in next month's budget or later in the autumn.

The study forecasts that the imposition of VAT would reduce the circulation of paid-for regional and local newspapers by more than 1m from the current 13.34m.

Pay freezes introduced

About one in three employers introduced pay freezes in the final quarter of last year, according to the Confederation of British Industry's latest pay databank figures.

Over the same period, which saw Britain's withdrawal from the European exchange rate mechanism and a spate of large redundancy announcements, the CBI recorded average manufacturing pay settlements at only 2.8 per cent.

Pay awards in the service sector in that quarter were 3.2 per cent.

Building work set to decline

UK construction output looks set to decline even further this year, judging by an industry workload survey. The results of a questionnaire covering more than 2,000 quantity surveyors showed that orders last year fell by 16 per cent to the lowest level since 1985, when the survey began.

The findings, published by the Royal Institution of Chartered Surveyors, are worrying for the rest of the industry. Much quantity surveying work, such as that of architects, occurs early in the construction process. Surveyors' orders therefore provide a good guide to future workloads of construction companies and building material suppliers.

Drugs could prevent ulcers

A study published in yesterday's New England Journal of Medicine suggests that a combination of drugs could prevent duodenal ulcers recurring in 92 per cent of sufferers. The results, which confirm previous studies, threaten to profoundly alter the structure of the \$7bn a year ulcer treatment market.

About a third of the drugs prescribed for ulcers are to prevent them recurring. If the new combination of drugs is widely adopted by specialists and general practitioners, it could severely reduce sales of maintenance therapies.

The leading ulcer treatment is Cimetidine, which generated £1.8bn of sales last financial year and is the world's best-selling drug. SmithKline

Beecham's Tagamet had sales of more than \$1bn last year.

The Austrian one-year study of 104 patients compared results on patients given a placebo with those on Zantac combined with antibiotics. In patients followed for a year, ulcers recurred in 8 per cent on antibiotics but 86 per cent on placebo.

Sick leave link with seniority

Encouraging employees to feel in control of their jobs will reduce sickness absence, says a study of government employees.

The survey of the backgrounds and health records of 10,000 non-industrial civil servants in 20 London departments found "striking" differences between amounts of sick leave and grades of work. Men in lower posts were six times more likely to take sickness absence than their most senior colleagues.

A relationship was also established between employees' attitudes to work and the likelihood of reporting sick.

The study, which was by the University College and Middlesex medical school, London, showed that men and women who rated their jobs low for control, variety, use of skills and satisfaction were more likely to take sick leave.

Airport for sale

East Midlands International Airport at Castle Donington, Leicestershire, has been put up for sale. The shareholders - Derbyshire, Leicestershire and Nottinghamshire county councils and Nottingham city council - ended a year of speculation about the airport's future by announcing that KPMG Peat Marwick, the accountants, had been commissioned to seek a buyer.

Major considers the cost of the welfare state

WORKFARE was the label that was given to the prime minister's musing about whether society should expect something back from the unemployed.

Lisa Wood on schemes in the US and Sweden which oblige recipients to 'work off' benefits

Rather it is a poverty relief measure aimed mainly at providing single mothers with a route out of poverty. "able-bodied" individuals with dependent children are obliged to register for work or job training.

With the exception of a couple in the Deep South, single mothers are not thrown onto the streets if they refuse an option.

Studies of US programmes, which cost on average about \$1,500 a year on top of welfare payments, produce as many conclusions about workfare as there are projects.

The general conclusion is that programmes do save taxpayers' money particularly if individuals go to work in the private sector. However, savings are cut if the approach

of states like Massachusetts are followed.

It claims its good quality voluntary training programmes get people into better jobs. However, it is a controversial area. Prof Laurence Mead, of the New York University, who has made a study of workfare, says: "There is very little evidence to support this." What counts, he says, is that workfare enforces the work ethic.

The Swedish model is very different in that it is an integral part of a highly interventionist labour market strategy in a society that until very recently was committed to full employment. Benefits have a limited duration before it is compulsory to perform some form of work.

If private sector opportuni-

ties have been scarce the state has created jobs and paid full wages while in training.

But rising unemployment is heightening a strain on the Swedish system and there is a public debate on unemployment measures, while cuts are being made in payments to those in publicly funded jobs.

The British government is unlikely to offer participants in any new work scheme anything like this. Instead, it is more likely to model any scheme on its own Employment Action scheme, which offered benefits plus £10 a week.

It has not attracted its full quota of participants, mainly because people do not want to work for £10.

Schemes being considered in

the UK concentrate on the long-term unemployed, to attempt to limit the cost and concentrate on the most needy.

Alternative schemes are being canvassed at a time when the plight of the long-term unemployed is highlighted by unemployment job-finding organisations and MPs concerned that a ramp of individuals are emerging who may become unemployable.

Ministers say there is already a degree of compulsion in the system that could be extended, with individuals having to attend "Restart" interviews from this April after 12 months unemployment.

There may be proposals to extend this scheme in the budget on March 16, and in the longer term. These interviews are mandatory - with the threat of benefits withdrawal - and demand the individual makes personal job plans.

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Of hats and heads

Norma Cohen on moves to separate the top two jobs at UK companies

John Thompson, director of UK equities investment at Standard Life, the insurance group, cites Lord Acton when explaining why he, as a shareholder, is pressing boards of directors to appoint separate chairmen and chief executives.

"Power tends to corrupt and absolute power corrupts absolutely. The principle is the same for businessmen as it is for politicians," Thompson says.

Corporate boards are apparently getting the message. Earlier this week, BAT Industries chairman and chief executive Sir Patrick Sheehy announced that he would shed his second hat with effect from April 1 in favour of Martin Broughton, currently managing director of the company's Eagle Star subsidiary.

Similarly, Yorkshire-based house-builder Persimmon announced that its chairman and chief executive, Duncan Davidson, will continue as an executive chairman but a new group chief executive is to be appointed.

Meanwhile, the behind-the-scenes row continues at British Airways. Following the company's dirty tricks campaign against rival Virgin Atlantic, shareholders are seeking a dilution of the chairman's power.

Lord King, who wore both hats and would like to see Sir Colin Marshall, chief executive, do the same, is being lobbied by shareholders to appoint Sir Michael Angus, a non-executive director, as chairman. Sir Michael is said to have the support of BA's largest shareholder, Schroeder Asset Management. Other institutions, remembering Sir Michael's stewardship of Unilever, have lined up behind him.

Institutions are apparently getting their concerns across to senior board members, according to Pensions Investment Research Consultants, a private group which advises pension funds on corporate governance issues. At the end of 1991, 63 per cent of all FTSE-100 companies had split the role of chairman and chief executive. By last week, that had risen to 73 per cent.

"I don't think companies have done it voluntarily in all cases," said Stuart Bell, senior researcher at PIRC. Andrew Burton, who last summer was anointed heir apparent to the roles of both chairman and CEO at Barclays Bank, has been forced to relinquish the latter role under pressure from institutional shareholders. Last year, British

executive are two different people. Shareholder pressure for such a split had been some time in the making. More than 18 months ago, the Institutional Shareholders Committee recommended the split as best practice. But behind it lay shareholders' long memories of glamour stocks that had gone wrong.

Shareholders point to the Burton Group under Sir Ralph Halpern, Brent Walker under George Walker, Folly Peck under Asil Nadir as reasons why a single forceful personality, no matter how talented, is likely to be a bad choice to wear both hats.

"I personally think the acid test is whether the board can actually say no to the person at the top," said

Fund Managers Association, says the quality of board members is probably even more important than whether the roles of chairman and chief executive are combined.

In the case of GrandMet, for instance, shareholders have probably not pressed as diligently for a split of the roles because of the perception that the non-executive directors are strong and independent. And at some other companies, Linaker said, the roles have been split, but the chief executive is no match for a charismatic chairman.

"You can have the Cadbury framework and weak people and that is no guarantee of success," he said. But while there is considerable agreement among shareholders about the best way to structure board roles, many privately admit that they too often fail to make a strong case until a company is in trouble. "A rising stock price is like a blindfold," said one shareholder.

PIRC's Bell noted that plunging dividends tend to concentrate shareholders' minds. Indeed, some of the most notable cases where boards have voted for separate chairmen and CEOs have occurred long after the company's woes were reflected in the share price.

Linaker says that despite that, there are signs that institutions are changing. "In the good old days, institutions didn't vote much." But increasingly, institutions are exercising their proxy votes and signalling to management that board structure is an issue which must be paid attention to.

"We don't just wait until something goes wrong. It's the sort of thing we mention to managements whenever we see them," he said.

A single forceful personality, no matter how talented, is likely to be a bad choice to be both chairman and chief executive

Petroleum was forced to split the two roles upon the unhappy departure of the man who wore both hats, Robert Horton.

Still, there are several striking examples of chairmen who still do both jobs: Sir Allen Sheppard at Grand Metropolitan, Tony Greener at Guinness, Alan Sugar at Amstrad, Geoffrey Mulcahy at Kingfisher and Sir Richard Greenbury at Marks and Spencer.

The 1992 report of the Cadbury Committee on the Financial Aspects of Corporate Governance finally gave official blessing to the view that boards of directors operate best when the chairman and chief

one member of the Cadbury Committee. "If the answer is no, there is not the mutual respect necessary to run the company." A strong and independent chief executive provides a rallying point for other directors who may sense that a company is losing its way and who wish to bring it back on course before any real damage is done.

Indeed, shareholders say, the real issue is whether there are sufficient checks and balances within a board to stop an autocratic and misguided chairman heading down the wrong path. Paddy Linaker, chief executive of unit trust managers M&G and chairman of the Institutional

Christopher Lorenz

Mercedes sees the writing on the wall



HOW ARE the mighty fallen. And how tough a task they face in clambering up again. They must accomplish not just a sharp shift in competitive strategy, but also - far more daunting - a complete revolution in their internal culture and organisation. If they have taken firm action in response to the clear warning signals of a decade ago, their task would have been immeasurably easier.

Hard on the heels of the latest ravages at IBM, Mercedes-Benz last week emerged with its famous star firmly in the mire. Thanks to the recent but entirely predictable appearance of much cheaper high-quality Japanese products at the luxury end of the car market, its overpriced, overweight models are piling up unsold on both sides of the Atlantic. Rubbing salt into the wound, its great German rival, BMW, is faring far less badly.

In most respects, including its leadership, Mercedes's troubles are several steps short of IBM's. But in some ways it faces a tougher challenge. Everyone at IBM is affected by the threat to its existence, whether they are from design, engineering, marketing or finance. But the Mercedes problem is rooted in the overwhelming dominance of one discipline, engineering. So its cultural revolution will need to be bloodier.

Mercedes is also less advanced than IBM in confronting a core problem: the time it takes to bring new products to market. Whereas IBM has done much in the past decade to compress its development cycle through "simultaneous engineering" and other processes, Mercedes has started only recently. Japanese car-makers have been able to develop a car, and then its successor, in the time Mercedes has taken to launch just one model.

If the company had not been so arrogant, it would have realised the need for change almost 10 years ago. It has always focused, with time-consuming thoroughness and care, on belt-and-braces engineering: producing cars that were tank-like in their solidity, outlasted almost every other make, and cost the earth. This was fine so long as such quality-based "differentiation" could only be bought at high cost.

But, as they have done so often, the Japanese changed the rules of the game. They made what academics call "differentiation at low cost" an entirely feasible strategy. This reached its clearest fulfilment in 1989 when Toyota and Nissan made their first direct challenge to the Mercedes stable with the launch of Lexus and Infiniti.

The failure of Mercedes to anticipate this threat was entirely its own fault. Moreover, if it had been less inward-looking, it would have noticed in 1984 the first evidence of the radical compression of product development cycles which has

since swept through its industry. Moving swiftly from the bottom to the middle of the volume car business, the Japanese shrank the "time-to-market" for a "compact" (family-sized) car by the late 1980s to three-and-a-half years, compared with the European and US average of five.

Yet only in the wake of the influential late-1980s study by the Massachusetts Institute of Technology of Japanese "lean manufacturing" did Mercedes realise it had to rethink its whole approach. It conceded this in public only last week, when its in-coming chief executive, Helmut Werner, implied that its cars were over-engineered and too expensive.

To remedy this, he said the company was taking the radical step - for it - of moving to a product-development process based on "target costing". This is a variant of a notorious but powerful Japanese approach which used to be known as "market share pricing".

Instead of working on an ultra-generous cost-plus basis, Mercedes will now derive its target product costs, right down to each part, from competitive market prices. The reaction of one experienced international consultant to this news was to emit a deep belly laugh, followed by the expostulation "about time".

Though a highly refined technique of "target costing" has emerged only since the late 1980s, the principle underlying it - like the term itself - has been applied for more than two decades in most consumer product industries. That includes Ford and other western carmakers. A key design goal for one of the new Japanese luxury models was "make a 7-Series BMW for a 5-Series price".

Recent advances under the broad banner of target costing include the use of sensitive techniques such as "co-variance analysis" to determine the sort of value which customers will place on individual features, or clusters of them. The methodology has also been adapted to include a company's suppliers. Chrysler has used it recently to particular effect.

For Mercedes to adopt such an approach represents an even greater challenge than meets the eye. This is because of a phenomenon which Kevin Jones, a partner at Booz, Allen & Hamilton, the management consultancy, calls "the rational overhead": that most of the time taken to develop a product is spent not on actual development work, but trying to convince everyone involved that each decision is correct.

For Mercedes, one of the key challenges of target costing will be how to introduce such a detailed technique without - in instinctively rigorous fashion - increasing the complexity and time of its development cycle still further. The only way to cope with this, Jones advises, will be to limit the number of variables that it scrutinises on each new model.

For a Germanic company which will want constantly to challenge the details and cost of every part, that is an almost unthinkable revolution. But, like the other challenges which Mercedes is confronting, it is a matter of do or die.

The Japanese have developed a car, and its successor, in the time Mercedes has taken to launch just one model

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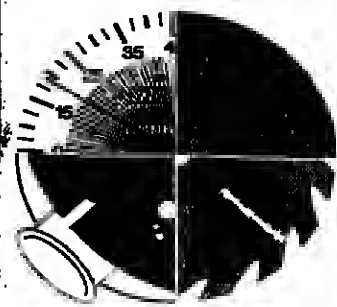
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Worth Watching - Della Bradshaw



Mario the plumber goes educational

Love 'em or hate 'em, few have found it possible to ignore computer games for Nintendo consoles. Now the lovable hero of many of these games, Mario the Brooklyn plumber, has turned his attention from high adventure to something more educational - painting and composing music.

Mario Paint enables would-be artists to draw, paint and animate characters on the screen using a mouse, the controller familiar to many personal computer users. Nintendo says this is the first computer game to be controlled by a mouse rather than a joystick. (The mouse is included in the \$59.99 price of the package, and plugs directly into the Nintendo 16-bit Super NES console.)

If the console is also connected to a video cassette recorder, pictures or animated sequences created on the screen can be recorded. Music can also be added, by arranging in sequence a number of picture elements which appear on the screen. A picture of a jumbo jet, for example, would represent one note, a flower another and so on. Nintendo Japan, 075 541 6111; UK, 0708 651010.

Speedy scanner cuts paperwork

One of the biggest problems for companies wanting to store their documents electronically has been the time and manpower needed to scan paper records into the computer.

Bell & Howell believes it has overcome many of these problems with a machine that scans up to 84 pages a minute at a consistent quality.

The Copiscan II scanner uses a technique called adaptive contrast enhancement, which analyses each document as it is fed in for colour and dirtiness

and adjusts the image accordingly. It can also scan in both sides of a document at once. Bell & Howell: UK, 0784 51234.

Killer cottonplants target bollworms

Killer cotton is the latest genetically-engineered plant to emerge from scientists in Australia. Researchers at CSIRO Plant Industry, in Canberra, have developed a cotton plant which has an in-built capacity to destroy predators such as the bollworm or caterpillar.

The plant carries a gene from the bacterium *Bacillus thuringiensis* which enables it to produce a lethal toxin.

The plant was developed in conjunction with the Australian company Cotton Seed Distributors and the US multinational Monsanto. CSIRO Plant Industry: Australia, 62 465470.

Paradox database now on Windows

Relational database software specialist Borland International has announced a version of its popular Paradox database management software for the Windows environment.

Companies buying the package before April 30 will get it for the introductory price of \$99.95. Paradox for Windows can store and handle scanned images, such as signatures, graphics, photos and even moving video images. Borland International: US, 408 439 1064; UK, 0734 320022.

Barbecue gives up smoking

As chill winter winds continue, many people might dream of a summer barbecue. For many more, the idea of a barbecue might conjure up ideas of charred food and acrid black smoke.

A Swansea inventor, Bill Darby, believes he has overcome the problem of the smoking barbecue with a soft plastic fuel which could be sold in giant toothpaste tubes or plastic containers. The fuel uses a base of charcoal or anthracite mixed with lighting agents, and because it burns efficiently produces no smoke. On lighting, flames appear for up to 12 minutes. Then a hot glowing carbon mass remains. Darby: UK, 0792 473721.

Alice Rawsthorn meets a man who has devoted himself to building a better vacuum

Hoping for a clean sweep

It is slightly strange to watch an apparently sane man brandishing a vacuum cleaner and waxing lyrical about it. But if anyone has a reason to antipathise about vacuum cleaners, it is James Dyson, who has spent the last decade designing them. Dyson, 45, is one of that rare breed: successful British inventors and industrial designers. The G-Force, his first vacuum cleaner launched in 1986, sells in Japan for £1,200 and first up on white plinths in design museums.

His latest model is the Dyson Dual Cyclone, which is destined for the British mass market rather than Tokyo trends. It goes on sale this month in several UK retailers - John Lewis, Rumbelows, Littlewoods - and electricity showrooms with a price-tag of £199.

Dyson is more interested in how his products work than how they look. He trained in product design at the Royal College of Art, but sees himself as an inventor, rather than a designer. "It's the technology that interests me," he said. "I'm not turned on by the idea of designing a case for a machine that someone else has developed. My thrill is coming up with something new and embodying it in an exciting way."

He worked for an engineering group for a few years after leaving the RCA, but then set up on his own to develop and produce the Ballbarrow, a wheelbarrow with a pneumatic ball instead of a wheel. The idea for his first vacuum cleaner came while he was making a machine for the Ballbarrow factory.

"One of our cleaning machines kept clogging up with dirt," he said. "We needed a cyclone system but didn't have £70,000 to buy it, so I decided to make my own. I realised that I could use a miniaturised version in a vacuum cleaner." He sold the rights to the Ballbarrow in order to finance the development of the vacuum cleaner. The result was the G-Force.

Conventional vacuum cleaners work by sucking in dirt and air, then separating them through a filter. The air escapes and the dirt collects in a paper bag. The problem is that the filter gets blocked, making the machine progressively less efficient. Dyson's cyclone system performs the same function as a filter by whirling the dirt and air around at high speed, but does not clog. The dirt collects in a plastic container which can be clipped off and emptied.

He designed the G-Force so that its handle operated as a hose. At the time, most upright vacuum cleaners had clip-on hoses which were not part of the machine. Although the mainstream manufacturers rejected Dyson's design when he showed it to them in the early 1980s, an integral hose has since become a standard feature on upright vacuum cleaners.

He chose to make the G-Force look different from the sober-coloured machines then on sale. It has a jaunty pink plastic case and a clip-off container in transparent plastic that reveals the guts of the machine. "I wanted the design to underline the fact that the G-Force was different from other models," said Dyson. "I also liked the idea of a vacuum cleaner being fun to look at."

The G-Force design was licensed to a Japanese manufacturer. Dyson has used the income (£30,000 models are still sold each year) to set up a product-development unit near his country home in Bath with a team of 15 designers. They have since developed vacuum cleaners for the US, including an industrial model for Johnson Wax. But the biggest project is the Dual Cyclone. Dyson has invested £1.75m to develop the design, register the patents and to



The Dyson Dual Cyclone vacuum cleaner

tool up a Wrexham sub-contractor to manufacture the machine.

This time, he has installed two cyclones. One operates at 200mph to process bigger bits of dirt and the other at 800mph to treat tiny dust particles.

The Dual Cyclone has the same playful quality to its design as the G-Force, although the shape is less exaggerated and Dyson has chosen the more subdued shades of grey and yellow. "I wanted it to look

more functional," says Dyson. "Pink would be a bit roud today." He hopes to introduce the Dual Cyclone to other countries once it is established in the UK, and to plough the profits into a new vacuum cleaner, just as he did with the G-Force. "Sometimes I'm tempted to try other products, but if you want to do something really well you have to find a small area and work at it," he says. "We've still got lots of new ideas for vacuum cleaners."

Researchers find genetic link with asthma

Researchers at Oxford have found a single gene which may make people susceptible to allergy-based diseases including asthma and hay fever - but only if they inherit it from their mother.

The discovery by Bill Cookson and colleagues at the John Radcliffe and Churchill Hospitals is published in the *Lancet* today. It is certain to cause controversy, because four other research groups have failed to confirm the Oxford team's finding that most cases of asthma are associated with a genetic mutation on chromosome 11.

The Oxford scientists say their "candidate gene" predisposes carriers to atopy, the allergy to inhaled particles which underlies asthma and hay fever. Its identification follows a seven-year genetic study of 400 people from 70 families, funded by the Wellcome Trust and National Asthma Campaign.

In technical terms, the gene codes for the beta chain of the receptor for IgE. This controls the human response to IgE, the antibody that causes allergy.

The gene on chromosome 11 accounts for about 60 per cent of asthma and hay fever in the families studied by the Oxford group.

But it seems to be inactive when it is inherited from the father, unlike the vast majority of genes which work in the same way whichever parent they come from. The reasons for its exclusively maternal activity are not known.

The scientists now want to relate molecular variations in the IgE receptor gene to cases of asthma and hay fever. That would prove that it is indeed an important allergy gene - and would be the first step towards improving the treatment for these disorders, which are poorly controlled by existing drugs (steroids, antihistamines and

broncho-dilators). In the UK there are an estimated 6m seasonal sufferers from hay fever, and asthma affects 2m-3m people causing 2,000 deaths a year.

"Once the gene has been found, the task of developing a new treatment is likely to take at least 10 to 15 years," said Donald Lane, chairman of the National Asthma Campaign. The idea would be to switch off the gene or to block the receptor for which it codes.

Last December, four separate research groups (from Japan, the US, Netherlands and UK) published papers in the *Journal Clinical and*

Experimental Allergy, saying they could find no linkage between atopy and chromosome 11, on the basis of other genetic studies of families with asthma. They are unlikely to be convinced by the latest evidence from Oxford.

Cookson, however, says his group has re-checked all its data and remains convinced that the linkage is real. He cannot explain the discrepancy with the other studies, beyond observing that "it is surprisingly difficult to show genetic links of this sort".

Clive Cookson

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CRESCENT

Craig moves up at
Northern Telecom

The ripples from last month's unexpected changes at the top of Northern Telecom, the Canadian telecommunications company, are spreading to Europe. Yesterday Nortel named its new European president and chief executive as Ian Craig, formerly the company's chief operating officer for the region.

Scots-born Craig, 50, will take up his new appointment immediately. He has been with Nortel for 26 years and has held senior positions in marketing, sales and strategic planning as well as research and development.

Healthy Julien turns to tax

Michael Julien, the former group chief executive of Storehouse, has become a non-executive director at Chiltern Financial Services, an international tax consultancy firm based in London.

Julien resigned from Storehouse last summer in order to recover from what was called at the time "mystery virus". Though none of his doctors believes in the ailment, Julien believes it was chronic fatigue syndrome, also known as ME, and irreversibly as yuppy flu.

But Julien, 54, says he is no yuppie. More important, he is substantially recovered, and is taking Chiltern as part of what he hopes will be a number of non-executive directorships which he is currently examining.



Chiltern was founded in 1977. Dennis Tupper, the executive chairman, says he expects Julien - his first non-executive director - to tender his experience of large companies and strategic development. He had come

across the consultancy when he had used its services in the past.

Julien qualified as a chartered accountant at Price Waterhouse, became finance director at BICC, then at Midland Bank and finally was managing director of Guinness at the time of what he calls "the event of which we don't speak".

He has no plans to return to a full-time executive position with any company, except his own family business, Uniform Clothing in London, which makes ceremonial uniforms.

He is also indulging his passion for France, and has an eye open for non-executive directorships at companies with an international focus so that he can mix business with pleasure.

■ Jim Felker is resigning as a director of Simon Engineering, where he had responsibility for Simon's environmental division. He will step down at the end of March to become president and chief executive of EMCOR, a US engineering and consultancy business.

■ Simon has sold off nearly all its environmental businesses this year because of falling profits. On Wednesday the company made its last disposal, selling its European environmental consultancy division to Northumbria Water for £10.5m.

■ John Rose, corporate development director of ROLLS-ROYCE, has been assigned to Rolls-Royce Inc as president and chief executive officer; he succeeds John Sandford, recently appointed head of the aerospace group in the UK.

■ David Kitching, formerly director new business development of BICC Andover Controls, has joined TEMEC as commercial director.

■ Dares Estates, the heavily indebted property developer currently in talks with its bankers, may be remembered for one thing in the current recession. It has laid off its finance director in order to cut costs.

■ Michael Giles Knopp, who has worked for the company for seven years, has resigned as a director of Dares although he will remain a consultant. Brian Tomlinson, Dares' chief executive, is a chartered accountant and says that Giles Knopp's departure is part of a cost-cutting exercise. He will take on Giles Knopp's responsibilities. At its peak the firm employed 18 staff but there are just eight left on the payroll.

Guest appearance at enterprise agency federation

It was the experience of handling a factory closure in the early 1980s which brought home to John Guest, then a long range planner with Cadbury Schweppes, the impact of change on local communities.

It was this event which ultimately led to his appointment, earlier this week, as chief executive of the newly formed Federation of Enterprise Agencies. The agencies provide support and advice to would-be entrepreneurs and small and medium-sized businesses.

Ever since Business in the Community, which co-ordinates the community activities of several hundred large com-

panies, said in June that it was no longer prepared to act as "umbrella" organisation, the agencies have been seeking to set up a national body.

When Cadbury decided to shut down a factory at Frampton on Severn as part of a rationalisation programme, Guest was responsible for finding a developer to take over the site and develop an industrial estate. This enabled Cadbury to replace the jobs which had gone with the factory closure.

This project led to contacts with Business in the Community and in 1983 Guest became a regional director, helping to

set up several enterprise agencies in the Midlands. After two years he returned to Cadbury to combine planning with community affairs, becoming group community affairs manager in 1989.

Apart from his secondment to BICC, this represents the 57-year-old Guest's first break in a Cadbury career spanning 37 years. He is taking on the job at a challenging time for the agencies.

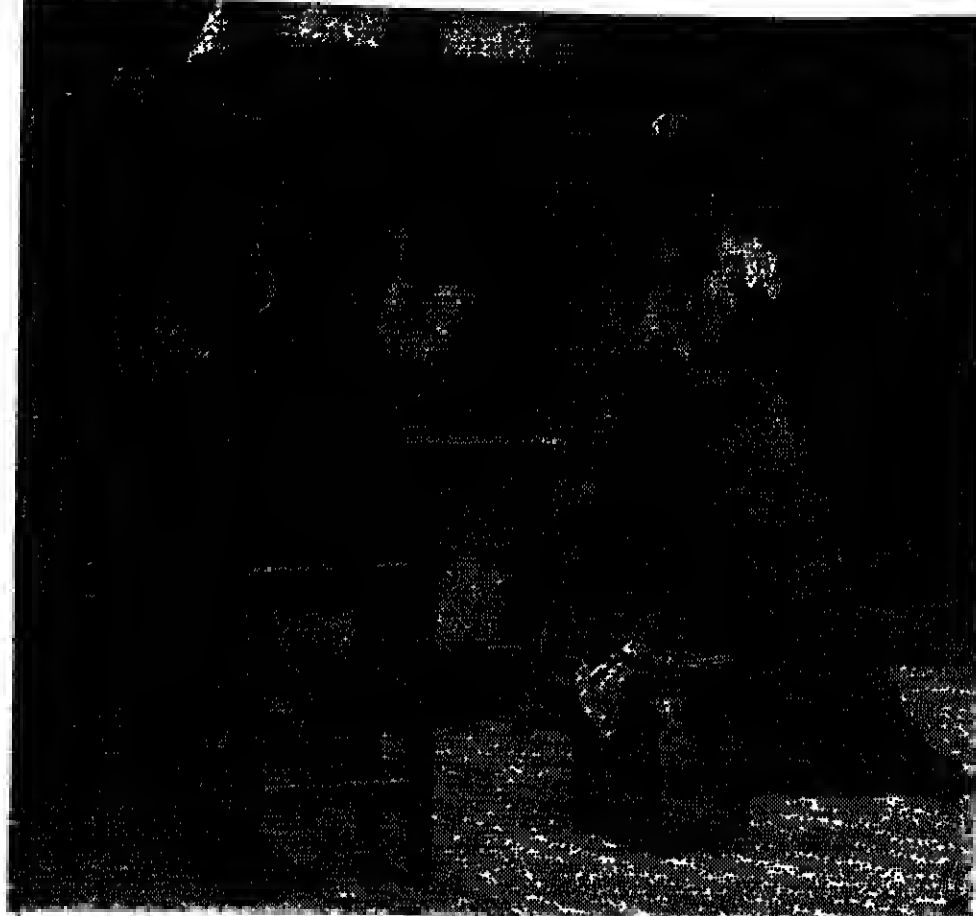
The government's plans for a nationwide network of one-stop shops are forcing all the participants, Training and Enterprise Councils, chambers of commerce and enterprise agen-

cies, to reassess their roles. "It will be a full-time job," he says.

Guest calculates that the federation at present only speaks for half of the country's 300 enterprise agencies though these account for 70 per cent of agency business. An early priority is to improve the quality of the service provided and member agencies will be expected to conform to the BS5750 quality standard or an equivalent within two years.

If the going gets tough, Guest can always call upon the chairman at Cadbury for advice. Sir Graham Day has agreed to become founding president of the federation.

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Frances L. Grace's painting of 'Girl at a window' at Dulwich being copied

Rembrandt's Girl at a Window's claim to fame

Dulwich Picture Gallery's small-scale exhibition framed around Rembrandt's "Girl at a Window" examines the fame of a painting. Like W.F. Yeames' "And When Did You Last See Your Father?", similarly investigated at the Walker Art Gallery, the Rembrandt remains an enduringly popular image. The young girl is to be found gazing out of anything from the cover of a National Gallery day book sold in museum shops to leaflets promoting skin-care products. Yeames' painting entered the national consciousness through its translation into textbook illustration, cigarette-card picture and waxwork tableau. The tale of how successive generations in various countries have responded to and interpreted Rembrandt's somewhat ambiguous "Girl at a Window" is both more typical and more subtle, and it begins in the master's studio.

Part of a young artist's training in Rembrandt's studio, as elsewhere in the Netherlands, was to make literal copies of the master's paintings, and copies with variations. The ability to paint in the manner of Rembrandt was a prerequisite of a successful artistic career in Amsterdam. Moreover, guild rules forbade pupils from working in a manner other than their master's, or from signing their works.

"Girl at a Window" is signed and dated 1665, when the size of Rembrandt's studio rivalled that of Rubens in Antwerp. The artist was not the first to paint a figure leaning out of an open window; he had also drawn Saskia in comparable pose some 12 years before. Characteristically, however, he was to make a conventional formula entirely his own.

The girl is too young to be Hendrickje Stoffels, as has often been suggested. She is more likely to be a servant or even a prostitute, given her direct gaze and gaping bodice. A pool of water bathed around her left elbow: is she straight from her bath or the washing?

The painting is not so much a portrait as a genre study of disarming naturalness and freshness.

Alongside it at Dulwich we find a 19th century copy of Chicago's famous "Girl at a Half-Door", recently attributed to Rembrandt's pupil Samuel van Hoogstraten but which must remain one of the more problematical demotions of the Rembrandt Research Project. From Woburn comes a studio adaptation, "Girl at an Open Door", also attributed to Hoogstraten, which is indebted to the two paintings but is notably inferior to both. (One of the unexpected treats of the show is a

Susan Moore
reviews the exhibition at Dulwich Art Gallery

thoroughly contemporary portrait by John Opie of his second wife which pays homage to the Woburn picture, then celebrated as a Rembrandt masterpiece.) "A Kitchen Maid", on loan from Stockholm, shows the master himself returning to the subject in 1651.

It is fascinating to see this small group. If only Dulwich had also been able to secure the original "Girl at a Half-Door" and Washington's "Girl with a Broom", now deemed to be by Carel Fabritius, this exhibition would have proved far more revealing of the relationship between master and pupils, and of the Research Project's distinction between masterpiece and studio work, than last year's blockbuster Rembrandt show.

The show takes us on to 18th century France, where the vogue for 17th century Dutch genre painting is reflected by the presence of the Dulwich, Stockholm and Washington pictures. One of the canvases, probably "Girl at a Window" - belonged to the art theorist, painter and spy Roger de Piles and would have been easily

On Tuesday night, the opening programme of Birmingham Royal Ballet's season at the Wells had a schizophrenic air. We saw a light opening piece - Graham Lustig's view of the *beau monde* in *Paramour*; three contrasted duets; and *Facade*. The company then took Dr Jekyll's potion, and closed the proceedings with *The Green Table*, a work calculated to lower the most sanguine spirits. I understand that Kurt Jooss always wanted *Green Table* to end an evening, so that audiences might leave with the message still fresh in their minds. It seems wholly unnecessary to perpetuate this routine, and it makes for awful programme-building.

The Green Table, after 60 years, has its devotees. It is, as people never tire of telling us, still dreadfully true in portraying the horrors of war. But when, given human stupidity, was this not so? As a 1930s artefact, this anti-war poster has an historic interest. Its message was unprecedented in the dance repertoire of its time and place. But unlike Georg Cross's drawings,

which had already explored the theme, its characters are generalisations, its style earnest, and it is riven with a sentimentality that so often corrupts appeals to our better feelings.

Its dance language has a certain monumentalism - pose better than step - and the original principals (most of whom I saw) boasted an emotional and physical weight which lent it credibility. We cannot expect BRB's dancers to reproduce these qualities, albeit performances - notably James Bailey and Timothy Cross as the Standard Bearer and the Young Soldier - are stronger than at the work's revival last October. It is Marion Tait as the Old Mother (the very names tell you what to expect from the dance) who has the absolutely sure dramatic presence that I recall from the Jooss interpretations of the 1940s.

Ballet/Clement Crisp

The Green Table

Miss Tait, that valuable, unerring artist, was all elegance in *Paramour*, and was to look exquisitely true in Kenneth MacMillan's *Passion* pas de deux, happily restored to the repertoire. This is a serene duet, made for Sibley and Dowell in 1973, whose hushed, ecstatic mood and flowing shapes Miss Tait captures perfectly. Her partner, Kevin O'Hare, has the unenviable task of reproducing movement conceived for Dowell's impeccable line, and he makes it look tense where it should unfurl with the sweetest muscular ease.

Passion comes as a contrast to the bellicosity of Hans van Maeco's *Twilight*. Two lovers stalk each other as sexual adversaries, and Cheneva Williams has the vicious legs, the temperament as sharp as the heels on her shoes, to make everything of the choreography. She needs a more provocative

partner than Joseph Cipolla, who underplays the man's challenge to her. And to set the house in a roar, that well-known alternative to dancing, the *Don Quixote* pas de deux. There, to knock spots off the choreography, were Miyako Yoshida, turning like a top, and Tetsuya Kumakawa, who goes up into the air and does things, not least some beautiful slow *cabrioles*. We saw too much dazzle and too little style - acrobatics can be made to resemble art - but the public likes circus tricks, and was more than content with these dare-devil activities.

About *Facade*, I can only say that once upon a time it was a ballet in which Ashton made stylish comment about dancing. It is now a romp, and pointless. Musically, the evening was pleasing, with an idiomatic account of the Puccini two-act opera from Jonathan Higgins and Ross Williams, and the Royal Ballet Sinfonia under Philip Ellis.

Birmingham Royal Ballet continues at Sadler's Wells, with mixed repertoire, until Feb 13

Theatre/Alastair Macaulay

Robin, Prince of Sherwood

Corny to the core, and wet behind the ears, this new rock musical might just become a hit. No, there is not an original bone in its body - but not a mean one either. And almost half its rock songs have an expansively lyrical instinct that is appealing. The music and lyrics are by Rick Penn and Peter Howarth, and almost every song is well delivered. Bill Kenwright's staging puts music and characters first, without any flash, scenic effects. And - another plus - Robin, Marion and the Sheriff are all good-looking.

Still, this is a wholly formulaic show. And you know the formula - it is Lloyd Webber's. You mix idealism (fear by the bad, loved by the good, Robin Hood), romance (Maid Marion), crooks (the Sheriff) and comedy (Friar Tuck). You tell it with plenty of tongue-in-cheek anachronisms (the outlaws kick their fingers and put on shades to sing their "Hanging Around" number). And you go overboard on pastiche; the authors of *Robin*,

Prince of Sherwood mean to remind you of songs from Presley down to Whitney Houston.

If *Robin, Prince of Sherwood* fails, it will be because it has not followed the prescription well enough. It does not make enough of its story's suspense; or of Maid Marion; or of Robin's idealistic cause. (Instead, in an effort to create some cynical rock fun, it links the Sheriff to the she-devil Morgana.) Early on, a crusaders' song erroneously makes Richard the Lionheart also ruler of Scotland, Wales and Ireland ("It's us lot that make Britain great"); does this mean to have its tongue in its cheek or not?

As for *Robin*'s words, they only stop being corny when they are blatantly anachronistic. "Nottingham" rhymes with both "dan" and "flame." "Morgana" with both "Indiana (Jones)" and "Copacabana (Club)." Get the idea? Lloyd Webber would have more sheer nerve; nor would he have handled so predictable a subject. But with the outlaws "Hanging Around" number the anti-



Robin and his merry men: overboard on the pastiche

once at last can relax and have an intermittently good time. Penn and Howarth know how to write ensembles - how to build a vocal fabric from differing layers of melody and rhythm. The big number - "Call Me Robin Hood" - has only one big line, but that makes its effect potent, like a wave crashing. And a little adjustment would actually help other numbers to work better. (The outlaws' "The lights grow dim" needs less Caribbean 4/6 accompaniment

beneath it, and more powerful singing from Little John in his big arching entry.) As Robin, Mike Holloway has looks and voice; he carries the show. I wish, though, that he led it more like an actor who believed in the world onstage, less like a cute TV compere. Peter Howarth not only co-wrote *Robin*, he also plays the Sheriff. He carries his cuteness with properly melodramatic Mad Max flair, but I don't care for a crook who is less interested in bashing the poor than

in diabolism. And surely it would be better to have a badie who sang in a plainly lower register than Robin? Richard the Lionheart is a dud.

Yes, anyone can see the many ways in which *Robin Prince of Sherwood* could easily be better; and no one who likes theatre to be spontaneous and persuasive will go near it anyway. Yet it really-let actors sing. Full of holes, but full of beans.

At the Piccadilly Theatre

Concert/Richard Fairman

South Bank Schubert

Although the South Bank took a leading role in developing the "theme" or "festival" as a focus of musical life in London, it has more recently allowed the running to be made by its rivals, as last autumn's ambitious Scandinavian festival at the Barbican and the Wigmore Hall showed.

It may well have escaped the attention of most concert-goers that a Schubert "series" (less than a theme, far less than a festival) has recently opened. A half dozen chamber music evenings at the Queen Elizabeth Hall during February promise some interesting items. A few choral and orchestral works are featured at the Royal Festival Hall, but spread over six months and probably totalling no more Schubert than we would have had anyway.

This latter half of the series, devised by William Glock, looks like an attempt to balance the artistic books by sight of hand. The "Sundries" section includes a couple of novel make-weights, but two have concepts of choral music amount to the only unusual offerings of any substance. On Tuesday Franz Weiser-Möst conducted the first of these with the London Philharmonic, starting most promisingly with the Offertory "Intende voci", D.963.

This is thought to be probably the last music that Schubert wrote. It has an inner calm, an ability to fix its eyes on horizons far distant even within its

brief ten-minute span, that speaks powerfully of the Schubert of his final years. Its atmosphere takes time to dispel, but dissipate it did all too quickly, as it was followed by seemingly shallow youthful works - the Offertory "Totus in corde laqueo" D.136, a duet "Auguste Jam coelestium" D.488 and the Mass No. 2 in C, all written in the composer's teens.

A brighter attitude is called for, but that was manifested most noticeably here by Weiser-Möst driving on in the Mass's vivacious Gloria and Credo. The best of the solo music fell to the soprano Lynne Dawson, still sparkling of voice, but not uninhibited as she used to be. Too many phrases were tapered away into an artful piano. Kurt Azeberger and Simon Keenlyside were the tenor and baritone.

Afterwards, a contrast. Weiser-Möst led the orchestra in Stravinsky's *Firebird*, complete, not the easiest of ballets to make work in the concert-hall; this performance, short on atmosphere at the start, took some while to work up momentum. When the spark did take, it ignited into a fiery Katchich's Dance, headlong in pace. The score was performed in its earlier, lavish orchestration, but did not sound as impressive as I remember. At the 1981 Edinburgh Festival the brass around the hall made a thrilling effect. Here one hardly noticed there was anybody extra taking part.

Felicity Lott and Graham Johnson, her regular piano partner, gave on Tuesday a Wigmore Hall recital devoted entirely to the songs of Francis Poulenc. This is perhaps a braver enterprise than at first glance it might appear. For while the world is filled with Poulenc-lovers - people convinced that his body of *melodies* comprises some of the richest, most vital and most "personal" song-writing this century - there are also others who simply fail to "get" him.

In a recital presented as this one was - chronologically (songs from 1918 to 1961) - the programme was varied with highest expertise. And yet it did run an inevitable risk that the relatively small melodic range within which Poulenc worked might be underlined - not to mention his adherence to a relatively small number of "manners" (surrealist, kitsch, rueful-nostalgic, sly-witty) and even the personal tics (melting cadences, final-phrase use of upward-rising intervals) that can seem like mannerisms.

Poulenc is not performer-proof. Style, carefully developed but lightly worn, is therefore of the essence in showing off in the best possible light the variety, emotional warmth and sheer delicacy of his songs. In this concert the style was caught, the light trained, with absolute mastery: I thought it one of the most perfectly planned and executed recitals I have ever been privileged to attend.

Recital/Max Loppert

Lott sings Poulenc

Lott and Johnson were giving it at the close of a European tour (which included a Paris concert apparently rapturously acclaimed), and by Tuesday evening both had absorbed into their artistic fabric every note and word. The sense of rapport, of subliminal give-and-take that informed every song-performance went worlds beyond the usual well-prepared recital experience.

It was a concert in which platform demeanour - the soprano a figure of extraordinary chic *à l'Anglaise* dressed by Givenchy - was made one of the interpretative weapons. But never too prominently: the raising of an eyebrow or the flick of the wrist was allowed to speak volumes. Mainly, however, it was the exquisite silvery flow of the Lott soprano (in absolutely peak condition just now) and the conversational ease and beauty of her sung French that did the work.

Pattering away in "Reine des moutettes" (from *Métamorphoses*), floating with taut-drawn geoliness the ravishing quiet lyricism of "Tu vois le feu du soir", or concluding with the bitter-sweet comedy of "La Dame de Monte-Carlo", she seemed to tap into every current of poetic and musical feeling. This level of achievement is rare in any musical sphere: Lott and Johnson must have made legions of Poulenc converts-for-life across Europe.

INTERNATIONAL ARTS GUIDE

An unusual musical reconciliation takes place next Friday when the Philharmonie Hungarica visits Budapest for a concert with Yehudi Menuhin. The orchestra was established in Vienna in 1957 by musicians who fled Hungary after the 1956 revolution. It later made its base in the West German town of Marl, and received support from the conductor Antal Dorati and other distinguished musicians, including Menuhin. Today only half its members are Hungarian, but it keeps up a busy schedule of touring and recording. Until the end of the Cold War, eastern Europe was forbidden territory for an émigré orchestra. So the Philharmonie Hungarica's Budapest debut at the Academy of Music is an important milestone.

Another orchestra due to visit the Hungarian capital in coming weeks is the New York Philharmonic, which gives two

concerts at the State Opere in early April as part of a European tour. Kurt Maas will conduct all 15 concerts on the tour, which opens on March 25 in Frankfurt and includes two concerts in Paris and London, three in Madrid and single nights in Berlin, Vienna, Brussels, Leipzig and Warsaw.

The programmes feature works by Brahms, Dvorak, Franck, Mozart, Berber and Richard Strauss, as well as a new piece by Chinese composer Bright Sheng. This is the NYPO's first visit to Europe since 1988.

Moving in the opposite direction across the Atlantic will be the pick of France's classical and contemporary dance companies, which have been invited by the Kennedy Center in Washington to take part in a two-week festival entitled *France Danse* (March 16-26). The Paris Opéra Ballet will present two programmes, including the Nureyev production of *La Bayadère*. Among other troupes scheduled to take part in the festival are Ballet du Rhin, Compagnie Mahilde Monier, Compagnie Préfex and the ensemble based at the Centre Chorégraphique National de Montpellier.

EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum Art, Expertise and Trade: a behind-the-scenes view of the early 20th century gallery

of J.H. de Bois. Ends May 2.
Also North Netherlandish Art 1580-1820. Ends March 7.
Gao Olpe (1860-1734) and the Art of Chinese finger painting. Ends Feb 28. Closed Mon

ANTWERP
Musée Royal des Beaux-Arts From Brueghel to Rubens: the Golden Century of Flemish Painting 1550-1650. Ends March 8. Closed Mon

BARCELONA
Fundació Joan Miró Wilfredo Lam: 60 paintings by the Cuban artist. Ends March 28. Closed Mon

BERLIN
Palau de la Virreina David Hockney: 73 paintings. Ends Feb 28. Daily

BERLIN
Neue Nationalgalerie After Guernica: a major Picasso exhibition which comprises 90 paintings, 60 drawings and 10 sculptures, with a special focus on the artist's work in the 1950s. Ends Feb 21. Closed Mon

BRUSSELS
Collection of Count Raczynski: Paintings of the late Romantic era. Ends Feb 14.

CHICAGO
Also Art in Germany 1905-37. Ends April. Closed Mon and Tues

CHICAGO
Art Institute Surrealist Works on Paper from the Shapiro Collection: 150 drawings by Ernst, Dali, Magritte, Dubuffet and others, plus works by Picasso and a selection of late 19th century French prints and drawings by Degas, Redon, Bonnard and Toulouse-Lautrec. Ends May 16.

Also Chagall: Moscow Jewish

DUSSELDORF
Kunstsaal der Hypo-Kreditanstalt Frederick the Great: an exhibition illustrating the 18th century Prussian king's relationship with art and artists. Ends Feb 28. Daily

LONDON
Villa Stuck Socialist Realism: official Soviet art under Stalin and his successors. Ends April 18. Closed Mon

LONDON
NANCY Musée des Beaux-Arts Art in Lorraine 1892-1950: a thematic retrospective, showing the richness and diversity of the region's art and its links with the major movements of the period. Ends April 18. Closed Tues

NANTES
Musée des Beaux-Arts The Russian Avant-Garde 1905-24: more than 80 paintings on loan from St Petersburg and ten provincial Russian cities, including work by Kandinsky, Popova, Malevich, Larionov and many others. Ends April 18. Closed Tues

NEW YORK
Metropolitan Museum of Art Ancient Near Eastern Treasures in the Louvre. Ends March 7. Also A Paravian Lord's Tomb: third century adornments made by the Mocha people of Paru. Ends July 4. Closed Mon

NEW YORK
Whitney Museum of American Art The Geometric Tradition in 20th century American Art. Ends Feb 14. Closed Mon

NEW YORK
Guggenheim Museum Photography in Contemporary Art: 1950 to the Present. Ends May 9. The main museum

MADRID
Fundación Juan March Kasimir Malevich (1878-1935): 42 oil paintings by the Russian artist who invented Suprematism. Ends April 4. Daily

MADRID
Centro de Arte Reina Sofía Joan Miró: centenary exhibition of 60 paintings and 50 drawings from the years 1920-60. Ends March 22. Closed Tues

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is closed on Thurs, the SoHo site on Tues
André Emmerich Gallery David Hockney: 26 Vary New Paintings, all multi-coloured abstractions.

PARIS
Musée d'Art Moderne de la Ville de Paris Figures du Moderne: Expressionism in Germany 1905-14. Ends March 14. Closed Mon, late opening Wed (11 eve du Président Wilson)

PARIS
Louvre French Paintings and Graphic Arts of the 18th and 19th Centuries (Cour Carrée 2nd floor). Also Veronese's The Marriage at Cana. Ends March 29 (Salle des Fêtes). French 17th Century drawings: 160 works showing the vitality of French art under Louis XIV and his predecessors. Ends April 26. (Pavillon de Flora). Closed Tues

MUSÉE GALERIE SELTA EGON
Schiele: 100 works on paper, showing the torments and erotic obsessions of the precocious Viennese expressionist. Ends Feb 27. Closed Sun (12 rue Surcouf)

ROME
Palazzo Venezia Rome under Sixtus V: the third of a series of exhibitions celebrating the fourth centenary of the death of the Pope who during his short reign (1585-90) did more than any other to turn Rome into the first modern city of Europe. Ends April 30. Closed Mon

ROTTERDAM
Museum Boymans-van Beuningen The Northern Tradition: contemporary Scandinavian ceramics from the Koster and Quist Collection.

STOCKHOLM
Moderna Museet Robert Mapplethorpe: black and white photos, ranging from portraits to nudes and erotic scenes, by the controversial New York artist who died of AIDS in 1989. Ends March 21. Closed Mon

STUTTGART
Galerie der Stadt The Rudolf and Bertha Frank Collection: 100 Expressionist Works, including paintings by Kirchner, Dix, Nolde and Kokoschka, from the collection built by two Mannheim art lovers in the inter-war years. Ends April 4. Closed Mon

STUTTGART
Staatsgalerie Juan Gris: retrospective of the early Cubist. Ends Feb 14. Closed Mon

VIENNA
Kunstlerhaus The World of the Meys: evoking the civilisation of the ancient central American people. Ends June 27. Daily

WASHINGTON
National Gallery of Art Contemporary Drawings and Prints from the Permanent Collection: works by David Hockney, Jasper Johns and others. Ends March 14. Daily

WASHINGTON
Phillips Collection Georgia O'Keeffe and Alfred Stieglitz: a conversation in painting and photographs 1918-30. Ends April 4. Daily

ZURICH
Kunsthaus From the Treasures of Eurasia: Masterpieces of Ancient Art. Ends May 2. Closed Mon

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ZURICH
Kunsthaus From the Treasures of Eurasia: Masterpieces of Ancient Art. Ends May 2. Closed Mon

They marched them up to the top of the hill, and they marched them down again.

Two years ago, the soldiers of the 1st Battalion, the Staffordshire Regiment, were camped out in Saudi Arabia, about to join the land campaign to liberate Kuwait. In April 1991, they returned to Fallinghovel in northern Germany. In November they moved to England. The following April they left their families again for a six-month tour in County Fermanagh, Ulster.

Now back in Chester, at full strength of 600, they were waiting to be merged in the autumn with the Cheshire Regiment when it returns from Bosnia, with another emergency tour looming eight months later.

That is what is meant by "overstretch" to Britain's army. Soldiers are supposed to get at least two years between emergency assignments. They have been getting about 15 months.

The Staffords were among four regiments saved this week from amalgamation. In 1991, they were unexpectedly included on the merger list. The reviews came just as much out of the blue.

Mr Malcolm Rifkind, defence secretary, made his move as pressure was building up in Westminster for a more drastic scaling-down of army cuts. The all-party Commons defence committee was ready to launch a report calling for all the measures to be put on hold.

Regiments are great stirrers of emotion, although there have been many amalgamations before. The Royal Scots, who until Mr Rifkind's announcement were set to merge with the King's Own Scottish Borderers, are a rarity in having survived intact since the 17th century.

The Scottish regiments - affected by one other merger and the loss of a guards battalion - and the Staffords, waged the strongest campaigns. By selecting regiments for review, Mr Rifkind took the risk of opening a Pandora's box; over the next two years, there are 10 more armoured and infantry regiments waiting for amalgamations and three guards regiments destined to lose their second battalions.

The government has backtracked, but so far by no more than 2.6 per cent, retaining 3,000 more troops than it was planning for the mid-1990s, including 40 infantry battalions instead of 38. Defence ministers, who always stood firmly by their Options for Change

Military manoeuvres

Britain's army will remain stretched, says David White



British army worldwide deployment

programme of armed forces cuts, argue that its fundamentals have not altered. The 6,500 army redundancies due later this month, mostly voluntary and linked to ages and rank rather than individual units, are not materially affected.

The target first set in 1990 was an army of "around 120,000". Over the following year, the figure was trimmed to 116,000 - a reduction of 40,000 over three years. Army chiefs had fought for more battalions. The infantry that remained included two surviving Gurkha battalions of Nepalese soldiers, who have never been used for jobs like patrolling the streets of Northern Ireland.

Since taking over the Defence Ministry last April, Mr Rifkind has faced a difficult concatenation of circumstances. One of the premises of Options for Change was that the number of British troops sent to Northern Ireland would remain stable at about 10,500, with 10 regular army battalions. Early last year this was increased by two extra battalions, and Northern Ireland ministers are expected to argue

against returning to the previous level. In the meantime, more than 3,000 troops have been sent to former Yugoslavia.

Much of the army, meanwhile, is tied up in reorganisation and withdrawal from Germany. Options for Change was meant to leave a margin for the unpredictable, but the margin was too small and the unpredictable came sooner than expected.

Then, with British troops newly arrived in central Bosnia, came the autumn round of public expenditure cuts, reducing the defence budget for the next financial year from more than £24bn to £23.5bn. The change in army plans adds £80m a year to some £1bn worth of savings Mr Rifkind has to find over the next two years. Cuts could hit RAF fighter squadrons and the navy's plan for a helicopter carrier, due to be ordered this autumn. Inter-service battles, which the government has tried hard to keep a lid on, are bubbling up again.

The army asked for some

6,000 more troops than it got, not so much to revive regiments as to bring depleted units up to strength.

Public controversy has focused on the infantry, but that is only about a quarter of the army. The rest, including tank forces, engineers, signals and artillery, also face heavy cuts. A new Royal Logistic Corps comes into being in April, merging five activities from transport to catering, the biggest reorganisation since 1904 when the army was drawing lessons from the Boer war.

The problem is that it is infantry that is required for peacekeeping. The army, which has been given the job of leading Nato's new rapid reaction corps, does not want to cut its tank units any further to make up numbers. It wants to keep its capacity for fighting real wars, in which infantry is only part of the picture. It is determined to be something more than a gendarmie and to keep a place at Nato's top planning table.

Manning is still tight, just slightly less so. Pressures should ease over the next few years. Numbers in Cyprus have been cut; the two battalions in Berlin are due to go; the Hong Kong garrison has to pack up in 1997; commitments in Belize and Brunei could be dropped. More soldiers are likely to become available through hiving off support functions and streamlining army structures in the UK.

But the changes are unlikely to alter British military reservations about a full-scale peacekeeping operation in Bosnia without US participation. The French have more troops available, but their larger army is based on conscription. Of 4,700 French troops in former Yugoslavia, 39 per cent are national servicemen who have volunteered for foreign service. This could become a problem if they become more directly engaged in fighting.

In the area where the British army now escorts convoys, it is reckoned at least a brigade of 6,000 would be needed to oversee a ceasefire. The army could provide that, and more, but could not send fresh troops to replace them if the mission became permanent.

UN heres worn by British troops in Bosnia come in different shades of blue. The paler ones are mementoes of Cyprus. The UN went there in response to a crisis in 1964 and is still there almost 29 years later. It is the same lesson Britain has learnt in Northern Ireland - going in is always easier than getting out.

Vaudeville days are here



Whew! That was close. The government got through Thursday with its trousers on. When we woke up, sterling seemed to be in free fall. It looked as if the pound was about to descend to Mr Norman Lamont's ankles by lunchtime. This would have diverted attention from Mr John Major's big speech of the night before.

I will come to that speech, but first let us return to the foreign exchange rooms. When they opened, nobody could think of anything the government might do to avoid a disaster. Sack the chancellor? Tempting, but six weeks ahead of the Budget such a move might suggest that the prime minister was not wholly confident of the truth of his supportive words of only two days previously. Raise interest rates? Technically correct, but implausible just a week after lowering them. Make a speech affirming the soundness of the government's economic policy? Be serious.

In the event, the Bundesbank came to the rescue. By reducing German interest rates just a fraction, it fractionally strengthened demand for the British currency. The chancellor's dignity was saved. With a sigh, ministers returned to their everyday task of appeasing Conservative backbenchers.

Mr Michael Heseltine, the industry secretary, went on calculating the optimum subsidy for the coalmines. He is already up to his waist in crumpled-up envelopes. Some fancy, bear drawings of Mr Winston Churchill - Mr Arthur Scargill's representative on earth - that fail to flatter the Conservative MP for Davyholme. The defence secre-

tary, Mr Malcolm Rifkind, reversed a few minor cuts in the size of the army and claimed, with straight face, that his U-turn would cost nothing. Mrs Virginia Bottomley, the secretary for health, lay tied to the rails by the British Medical Association, her face creased with alarm as the prospect of a capitulation over the closure of London hospitals steamed ever closer.

If you ask how long this vaudeville can continue the answer is "indefinitely". The government is hamstringed. Fate, that exquisite torturer, has placed Mr Major into Number 10 Downing Street on the strength of a small yet unreliable majority. He can never be sure of getting anything through the Commons. He must always be ready to grovel before one of its committees.

He cannot do much more to hasten the end of the recession. He is afraid of raising taxes to tackle the growing public sector deficit. Until the recovery is safely under way, the whispers about his and his chancellor's fates for the offices they hold will persist. Yet there is no challenge for the Conservative leadership, and no sign that the Labour party is transforming itself into an alternative party of government.

It is against this background that we must evaluate Mr Major's address to the Carlton Club. It set out, plainly enough, the principles that make Conservatives stand up and salute: choice, ownership, responsibility and opportunity. "The modern Conservative party," he said, "is heir to both the great 19th-century political traditions: to the Whigs, in our free-market radicalism; to the

Tories, in our belief in community and tradition."

As in all set-piece speeches, he then put it better: "We will carry forward the pursuit of economic liberalism, and the reinforcement of the social cement that binds us together."

Mr Major also listed existing government policies: "the Citizen's Charter, deregulation, privatisation, private finance, market-testing, openness". He affirmed his belief in the continuity of existing institutions, like the monarchy, Parliament, the unity of the United Kingdom, and "our churches and voluntary organisations". He initiated a fresh debate on the merits of asking people to

work in return for unemployment benefits. The letter has already caused quite a flurry.

There is nothing wrong with this declaration by the prime minister to a receptive Carlton Club audience. If you consider its bits and pieces, his domestic agenda is seen to be a conventional mix of the beneficial, the harmless, and the damaging.

To take just three examples, the government's education reforms are excellent, the Citizen's Charter is neutral, and the continued assault on local democracy is scandalous. In some areas, such as his proud allusion to "people from ethnic minorities entering public life", Mr Major is ahead of many in his party. On this point he is exercising true leadership. In others, such as the kite-flying on "workfare", he is showing a degree of courage that Lady Thatcher could not muster when she was in charge. What is missing is glue. The

invocation of Disraeli and Burke is not a sufficient means of binding together a package of disparate policies, most of whose origins can be traced back to the Thatcher years. Talk of blending continuity and change is not in itself enough. "Our political strength," said Mr Major, "has always rested on our ability to keep a finger on the pulse of the British people." This is true, but the pulse beat of the 1990s is different from that of the 1980s.

Some of the reasons for that difference are evident. There is a growing fear of unemployment, which talk of workfare cannot by itself alleviate. The seemingly unstoppable advance of the welfare state cannot be indefinitely sustained by the working population. A growing proportion is ageing. Government by Whitehall and quango is no proper substitute for accountability to local elected authorities; London alone is in a state of disrepair that may one day soon be seen to constitute a crisis. Britain's century-long decline relative to other leading trading nations continues; political leaders must tell us whether they propose merely to manage a shrinking economy or whether they have found ways of reversing the trend.

Such topics would be fit subjects for a discourse by a prime minister who had time to spare. The luxury of a stable majority would also help. Neither advantage is available to the present occupant of Number 10 Downing Street. The Carlton Club speech is therefore the best available exposition of what Mr Major thinks he can get through the Commons. It set out a political programme. Some Conservatives hoped for more - for a "vision". For that they must wait until the vaudeville days are over.

John Major's domestic agenda is a conventional mix of the beneficial, the harmless and the damaging

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Italy taxes patience

From D S Hague

Sir, Your article ("Exporters warned of payment delays", February 3) on payment delays for UK exporters trading in continental Europe is a cautionary tale. But surely the greatest offenders in this regard are the Italian fiscal authorities, from which it seems to be well-nigh impossible to obtain refunds of VAT incurred in Italy.

I have experience of a claim totalling more than £30,000 for VAT incurred in 1989, which still has not been paid, despite chase-ups and reminders.

While EC directives abound, affecting the minutiae of the lives of the humblest European, it would seem that, in regard to VAT legislation, one of the member countries has no desire to comply. Is it not time for Brussels to bring the Italian authorities into line over this matter and insist upon Italy settling VAT claims promptly, as does the UK VAT authority?

D S Hague
7 North Street,
Rotherham
Northants NN7 3JB

No number for a No vote

From Mr P H Prince

Sir, I object in the strongest possible terms to your cunningly and contrived front page picture (February 3) regarding the launch of a telephone poll on the Maastricht treaty.

The fact that we can only read the Yes vote telephone number makes it impossible to register a No vote. You are not usually so biased.

P H Prince,
Prince Group,
24 Swanmead,
Highdown,
Ringwood,
Hampshire BH24 3RD

Mercedes-Benz an example to banks on cost-cutting

From Mr P E Forrest

Sir, According to your article, "Making the leap out of the lap of luxury" (January 30), Helmut Werner, the new boss of Mercedes-Benz, indicated that the days are gone when the charging of premium pricing could cover up for costs that were too high.

Perhaps, in another context, the spokeswoman from one of the banks who said that they were losing money on any current account with a credit balance of less than £1,000 should be introduced to this line of conjecture. Banks have lived too long in a world where the

answer to corporate happiness was to divide extant costs by the number of transactions and use the product of that equation as the basis for the price the customer should bear.

A hard look at the levels of waste of time, effort, resources and money involved in their calculation of costs might be a productive place for them to start rebuilding their justifiably tatty image.

P E Forrest,
Chairman,
Agis Group Marketing,
Agis House,
The Mans, 1 Purser Road,
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Too much junk on the line

From Mr Iain C Baillie

Sir, We have been subjected to a spate of advertising on the advantages of Yellow Pages. I have checked the results in my office which appears in business directories. A rough count indicated a ratio of about 40 solicitation calls from insurance sales persons, office cleaners etc to one "professional inquirer for our services". Of the professional inquirers, only a very small proportion turned

out to be fruitful. Given the time that dealing with such solicitation takes up, and the blockage of our telephone facilities, I suspect that appearing in Yellow Pages results in our losing money rather than gaining business. There are ways of controlling junk mail - is there any way of controlling junk telephone calls?

Iain C Baillie,
20 Chester Street,
London SW1X 7BL

Long-term rates for mortgages

From Mr Jeremy Archer

Sir, Building societies are currently facing funding problems as depositors find returns unattractive in a lower interest-rate environment. Some commentators are now suggesting that the resultant diminution in lending power may hinder the recovery. But why should building societies still be obliged to borrow short in order to lend long?

Why should home-owners take out 25-year mortgages and

then dance to the tune of highly volatile short-term interest rates instead of the more predictable long end of the yield curve? The latter interest payment structure is normal practice in the US.

A change would be logical and would have the effect of smoothing the inflation statistics as well as assisting household budget planning.

Jeremy Archer,
100 Haldon Road,
London SW18 1QQ

Nuclear threat posed by dispute over the status of Kashmir

From Dr Ghulam Nabi Fai

Sir, In your editorial, "Kashmir's plight" (January 25), you note that "the misery of Kashmir has tended to be forgotten amid the upsurge of disputes elsewhere. It should not be". This is absolutely correct.

The crisis in Kashmir has claimed many lives. As in Bosnia and Somalia, the majority of the victims of the Kashmir crisis are civilians particularly women and children. These non-combatants have been targeted by military forces and suffer from chronic shortages of food and medicine.

But in Kashmir there is an added dimension to the crisis.

This is that both India and Pakistan, which as you say have fought two wars over Kashmir and remain at loggerheads, are now believed to possess nuclear arsenals. As tensions rise again today, the continued hostilities between them pose a nuclear threat to the Indo-Pakistani region, and to the world.

The Bush administration had no policy for Kashmir. Its efforts to encourage nuclear non-proliferation were therefore doomed to failure since reducing the threat of a nuclear exchange in south Asia is inextricably linked to resolving the status of Kashmir.

How can one talk of disarming India and Pakistan when the cause of their tensions, the unsettled status of Kashmir, was not up for discussion? Reducing the threat of a nuclear exchange in south Asia is inextricably linked to resolving the status of Kashmir.

Prime Minister John Major is to be congratulated for recognising this fact, and for seeking to bring about negotiations with Britain as the mediator. He should not be deterred by India's recent rebuff, and should also encourage the new Clinton administration to make Kashmir a priority.

Time is not on our side.

Every day more and more atrocities are being committed by Indian security forces. Humanitarian considerations for action in Kashmir are tremendous. But the geo-strategic considerations are even more compelling. Kashmir's strategic location makes it a "nuclear trip-wire" for south Asia - a trip-wire more unstable than the threat posed by the nuclear arsenal in the Commonwealth of Independent States.

Ghulam Nabi Fai,
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Kashmiri-American Council,
733 15th Street, NW,
Washington DC 20005

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FINANCIAL TIMES

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Friday February 5 1993

Short-term relief

THE BUNDESBANK'S decision to cut German interest rates yesterday was, in the words of Mr Jacques Delors, a good political signal. But it is a singularly confusing economic one, coming after hawkish rhetoric from Bundesbank president Mr Helmut Schlesinger. Earlier this week he declared that talk of persistently high interest rate policy in Germany "was the idle chatter of ignoramus". It was a tenable view on Monday, and would have looked no less tenable today without the unexpected cuts.

While the German economy is stagnating, it is far from clear that inflation has peaked. Mr Helmut Kohl's solidarity deal with employers, unions and the state governments is not yet in the bag. The long end of the D-Mark bond market was not unmoved by this loosening of policy, but the Federation of German Chambers of Commerce attacked the move, worrying that price stability might become the victim of political expediency. This is not an extreme view in Germany.

The Bundesbank's action bears all the hallmarks of a halfhearted compromise. And this is indeed, a battle in which the stakes are exceptionally high. After the speculative attack on the Danish krone and against a background of growing pressure on the French banking system, a cut of half a point in the Lombard rate and quarter of a point in the discount rate offers an immediate reprieve for the exchange rate mechanism

and for its harder-pressed members. It also keeps alive, for the moment, the hope that monetary union has a future. But the relief, however welcome for the rest of Europe, is likely to be short term.

The Bundesbank has been prepared to accommodate pressure in the ERM before. But it still seems implausible that a body that has always made domestic economic monetary policy will now emerge as a D-Mark lender of last resort to this semi-fixed exchange rate system. Even after the Bundesbank's modest gesture in the direction of interest rate disarmament, the French economy continues to suffer from phenomenally high real rates of interest and rising unemployment. And the franc still has to cope with considerable political uncertainty before and after the French elections in March.

As the strains within the ERM fall to go away, the search for scapegoats is becoming more noisy. Yet there is little point attacking the speculators when they are doing no more than highlighting inconsistencies of policy. The Germans mismanaged unification and the French commitment to the franc fort has meant that adjustment to the resulting shock has had to be taken in the real economy. To blame the currency markets is to shoot the messenger. Since there are unquestionably more messages in the pipeline, it would be helpful if the policy lesson were firmly grasped now.

On workfare

THERE IS nothing like a large budget deficit to focus the minds of politicians on how to constrain the government's welfare spending. Even at the best of times, societies cannot prosper if large and growing sections of the population subsist on state handouts. Mr Major is right to ask whether paying benefits "without offering or requiring any activity in return" is in the interests of either society or welfare dependents.

The prime minister is not alone in wanting to find ways to sharpen incentives for people to move from welfare dependency into employment, although the end of a lingering recession may not be the most politic time to voice the issue. President Bill Clinton has also talked of extending the scope of workfare schemes, which require unemployed US welfare recipients of working age, the large majority of whom are female single parents, to participate in community work or training schemes, in return for more generous benefits.

Yet proponents of compulsion

must ensure that their schemes have the intended effects. Here the US experience plus a cautionary tale. While workfare has been the chosen method for encouraging welfare mothers back to work, unemployed American men without children receive little or no welfare support at all after the first six months of unemployment. The consequence is not a markedly higher employment rate among US men than in those European countries where unemployment benefits last indefinitely. Instead a growing minority of US men, particularly young blacks with poor educational qualifications, have chosen black market activities or crime over poorly paid employment.

Nor has the UK been immune from the effects of rising crime and drug use among the young unemployed as their relative wages have fallen and access to state benefits has been restricted. Linking benefits to participation in public works schemes for a nominal financial reward risks pushing more young British men out of legal society into crime. The solution to the growing number of welfare dependents must, instead, involve some combination of better training schemes, the removal of tax and benefit obstacles to part-time employment and recruitment subsidies for hard-to-employ groups such as the young long-term unemployed. Only if attractive opportunities are provided does the government have a good case for compelling its citizens to accept them.

Housing policy

HOUSING associations have been at the forefront of the government's strategy for providing affordable homes for rent. They have shown themselves to be flexible, efficient and responsive landlords - unlike many of the local authorities they have supplanted. They have also been imaginative developers, raising the quality of social housing, and financing an increasing proportion of the cost by raising funds on the capital markets.

It is surprising, therefore, that the government should be planning to cut its funding to housing associations. Following the Autumn Statement, the grant paid to associations is to be reduced from 72 per cent to 55 per cent by 1995. This means that the proportion of the cost which must be raised privately will rise from 28 per cent to 45 per cent, a step which could undo much of the good work associations have done. The first problem is that the private finance needed to complement government grant is unlikely to be raised by the balance of 45 per cent of the cost against the security of a tenanted home. The Housing Corporation, the quango which supervises the housing associations, believes that only the most financially sound associations will then be able to borrow on the capital markets. It therefore proposes to reduce the number of associations which receive government grant for development from over 600 to under 100.

This reduction in the number of associations building new homes is undesirable. It will concentrate development among a few "premier league" associations, contrary to the government's aim of breaking up large social landlords. It will also exclude the smaller specialist associations which have catered successfully for students, single people and ethnic minorities.

Even more undesirable, however, will be the dramatic rises in rents needed to service the higher level of private funding. These rents will be beyond the means of low-income families unless they are on benefits. Housing associations would then become welfare ghettos, recreating the worst aspects of council estates that associations were supposed to avoid.

Worse, the government could find that the savings from the cuts in grant are wiped out by the additional housing benefit. That could lead to pressure to cut housing benefit, which might leave some tenants unable to pay the rent. Housing associations would then be further destabilised, while investors would be even less willing to invest in social housing. It is not too late to avoid these outcomes. The reduction in grant ought to be phased in over three years. The government should reconsider its plans, and think again about cuts which could reduce the quality of social housing and recreate the sort of no-hope council estates which housing policy has rightly sought to eliminate.

The heyday of the Japanese economic miracle is over. The days when Japan's financiers, manufacturers and retailers could revel in an economy growing at more than 4 per cent a year have gone, perhaps for good. Japan has become a mature economy.

Mr Naohiro Amaya, a former vice-minister at the Ministry of International Trade and Industry, one of the architects of Japan's success, put it this way. "Japan is particularly susceptible to the Peter Pan syndrome. Even though the economy is now adult, many people behave as if we are a child."

Mr Amaya believes the Japanese economy is beginning a long period of adjustment during which it will grow only slowly, a period which could last until the late 1990s.

The economy's main growth industries, cars and electronics, are facing a sharp fall in demand which is forcing them to reconsider their traditional high-growth strategies. The Japanese banks are burdened by bad debts which will take several years to clear. The nation's service sector is facing its first recession. Japanese consumer spending is flat after the conspicuous consumption of the 1980s.

If this view proves accurate then yesterday's 0.75 point cut in the official discount rate, to the historic low of 2.5 per cent, may not revive the economy, which the government forecasts will grow by only 1.6 per cent in the year to March, down from 5 per cent two years ago.

Yet such optimism is in the minority. The pessimists believe the economy should grow from this autumn, by more than 3 per cent a year.

The optimists argue that Japan is going through a cyclical downturn after the collapse of the speculative bubble economy of 1987 to 1989 when credit was cheap and share prices, land values and profits soared to record highs. Once demand recovers, fuelled by low interest rates and public spending, the optimists believe the economy should grow from this autumn, by more than 3 per cent a year.

The next six months will show whether Japan is going to bounce back after recession or whether the economy needs structural reform over several years. The restructuring of the Japanese economy in the wake of the first oil shock in 1973 took four years. Will it take that long this time?

The government is confident the economy will escape the need for root-and-branch reform, largely because it is engaged in an ambitious effort to shore it up. The interest rate cut is part of that effort.

By itself the discount rate cut will only have a limited impact on the economy. The biggest beneficiaries will be Japan's hard-pressed banks, which are facing mounting bad

The Japanese government is confident of economic recovery, but adjustment could be painful and protracted, writes Charles Leadbeater

Financial therapy for a mid-life crisis

debts from speculative property lending. Lower official interest rates will reduce the cost of their borrowing from the Bank of Japan and so allow them to widen profit margins.

Yet even with the discount rate at an all-time low it is unlikely that the cut alone will revive consumer spending or investment. Corporate investment is being cut sharply because many industries have excess capacity as investments planned in the late 1980s come on stream at a time when demand is depressed.

Japanese households are such prodigious savers that their income from savings is more than twice their interest payments on borrowings. The cut in rates may discourage them from saving more but it will also reduce disposable income.

But more support for the economy is on the way, in the shape of public spending and tax cuts. The ¥10,700bn (260bn) emergency spending package approved by parliament last autumn is only just filtering through into the economy.

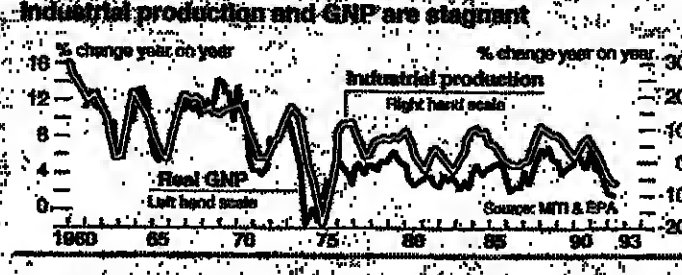
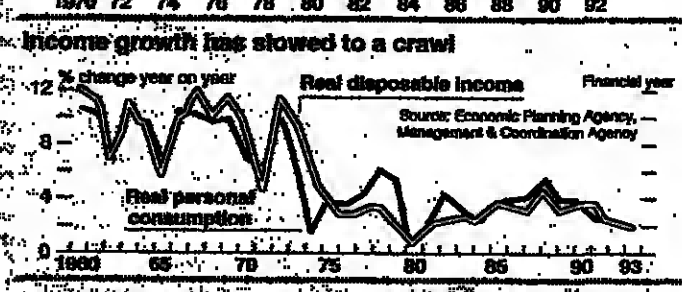
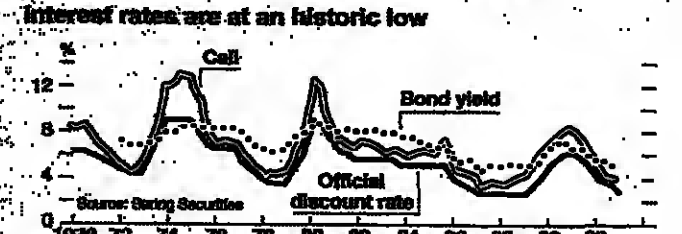
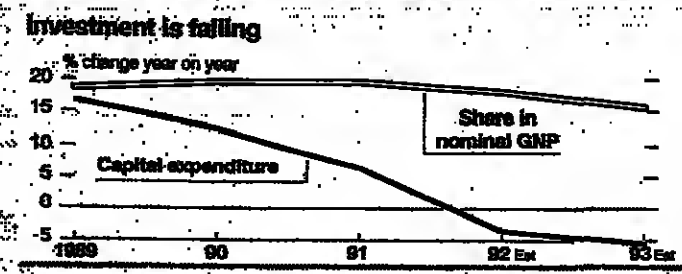
This year's budget, which increases overall spending by about 7 per cent, is due to be approved next month. A task force from the ruling Liberal Democratic party is drawing up plans for another emergency package, worth perhaps ¥4,000bn, probably including tax cuts, to be announced this spring.

Mr Robert Feldman, chief economist at Salomon Brothers, the US stockbroker, believes this fiscal push is so large it will eventually revive consumption. The growth rate of personal consumption has halved from 2.6 per cent in 1991 to about 1.3 per cent this year.

According to Mr Feldman, the foundations for a consumer-led recovery are in place. Unemployment is still only 2.4 per cent, employment is still growing, albeit slowly, and compensation per employee is likely to rise this year by between 3 per cent and 4 per cent. He believes consumer spending should grow by close to 3 per cent this year, about the level of the mid 1980s. That should allow the economy to grow by 3 per cent this year and next.

The equation may not be that

Japan's economy: measures of decline



simple. First, there are doubts about whether consumption will respond to the fiscal stimulus.

This year's fall in consumer spending has mystified economists, mainly because the labour market remains tight and household finances are relatively healthy. Some observers attribute the decline to a shift in tastes and attitudes.

After the spending spree of the late 1980s many Japanese are going back to basics - simpler products, which give value for money. The markets for electronics and cars are saturated after high growth in the late 1980s.

A second obstacle to recovery may be structural problems in finance and industry. Most Japanese

corporations are facing a fourth year of declining profits. A recovery in corporate earnings is vital to fund renewed investment. But profits will only recover if Japanese companies tackle their costs, which grew rapidly in the 1980s.

The tight profit margins at many Japanese companies leave them vulnerable to a slight fall in sales. This is because their fixed costs and wage bills grew rapidly during the 1980s.

"Restructuring based on squeezing or reducing personnel costs is an urgent priority. In some cases survival is at stake," says the Japan Research Institute, a private sector research group. Cost reductions on the required scale could take years, given the constraints of Japan's lifetime employment system.

The financial sector is in no better shape. The banks are facing mounting bad debts which could come to more than ¥50,000bn, equivalent to about 12 per cent of gross national product. While they are trying to reduce their bad debts, lending could be curbed. Low bank lending is one of the main factors behind the recent unprecedented contraction of the money supply. So if consumption does start to pick up, a recovery might be stifled by the banks' inability to lend to promote growth.

One further uncertainty clouds the economic outlook. While the optimistic outlook prevails in government and the bureaucracy there is some disagreement about how to respond to the downturn. The Bank of Japan only agreed to the discount rate cut after the Ministry of Finance and the LDP exerted pressure.

More important, there is no agreement over the strategic aim of economic policy. LDP leaders want a strong recovery to secure victory in a general election due by spring next year. They also want to head off American calls for Japan to reduce its rising trade surplus by delivering higher Japanese growth.

But some senior officials at the Bank of Japan and the Ministry of Finance believe the high growth and cheap credit of the 1980s disguised and delayed the need for long-term restructuring to adjust to slower growth. As one finance ministry official puts it: "Companies made huge profits in the late 1980s, they should suffer some pain now. We have to learn that we are not like Korea; we are not a developing nation any more; we have to slow down."

But the longer the slowdown lasts, the more likely it is that Japan will be in for a painful, wrenching period of restructuring which could last into the second half of the decade.

Family emergency at heart of the UN



PERSONAL VIEW

the international community can

not cope.

From the Iraqi Kurds, to Yugoslavians, to Somalia, humanitarian

crises have provoked an important

debate about the role and develop-

ment of the United Nations. Yet

that debate has covered every area

except the one most relevant to

humanitarian emergencies - the

role of the UN's internal "family"

of technical agencies.

All too often, the response of

these agencies has been slow,

bureaucratic and lacking in co-ordi-

nation. In the worst cases, they

have been hopelessly negligent. The

recent history of the Horn of Africa

provides several examples. When

famine hit Ethiopia in 1984, for

instance, there were hardly any

contingency food stocks in place,

because the UN agencies had

ignored the previous year's warn-

ings of impending shortages.

In 1985, when refugees from Siad

Barre's brutal bombing of northern

Somalia arrived in Ethiopia, their

presence went undisclosed by local

UN officials and many died before

the UN began to give aid. Then, in 1991,

the sight of the Iraqi Kurds perish-

ing on mountain sides, and the

delays and mistakes that character-

ised that relief operation, finally

moved the UN and its member

states to make cautious reforms.

However, following the deaths of

hundreds of thousands in the

Somalian famine, these measures

stand exposed as woefully ineffec-

tive.

It is the UN agencies' inability

to deliver that is at the heart of their

failures, not a lack of resources.

Indeed, the children's fund, has a

\$755m budget. UNHCR, which deals

with refugees, had around \$550m in

1990. UNDP, whose brief is develop-

ment but which often finds itself

involved in emergency relief, had

\$1.4bn last year; and the World

Food Programme (WFP) can dispose

of the same amount in a two-year

period.

It is this scale of resources, cou-

pled with their status in the inter-

national system, which makes the

UN agencies the pivotal element in

the response to emergencies. When

an emergency hits a developing

country, the first line of defence is

that country's own skilled workers

to the UN agencies for the requisite

scale of relief supplies, logistical

capacity, and expertise.

The member states of the UN

have a right to ask whether they

are getting value for the money.

Save The Children, which was

closely involved in the emergencies

discussed above, believes that a

thoroughgoing review of the func-

tions of the UN technical agencies

is urgently required.

First, the mandates of these

agencies should be re-examined. They

were drafted, in many cases, more

than 40 years ago, to cover the

needs of the cold war era. They

need updating both to incorporate

increased understanding of the com-

plex causes and dynamics of emer-

gencies, and to cope with an era

which for many parts of the devel-

oping world will bring insecurity,

instability and dwindling resources.

Second, co-ordination must be

made paramount. The clutter of

overlapping responsibilities within

the UN system must be cleared

away. A single agency should be

given the clear lead role in emer-

gencies, and the UN enabled to act

as an effective umbrella for the

efforts of all workers involved.

Third, accountability must be

introduced. All too often, failures

are covered over, while those who

voice criticism to try to improve

things are disciplined or discarded.

Fourth, none of the above mea-

sures will have an effect unless the

practical performance of the agen-

cies in emergencies can be

improved and confidence restored

to the donors. This means, for

example, ensuring that key posts

are filled with people of proper

competence as leaders and managers.

It also means allowing much more

autonomy to the good and experi-

enced staff on the ground.

Finally, UN member states must

recognise their own responsibility,

not only to instigate reform, but to

push it along through any obsta-

cles, and to keep an oversight of the

continuing performance of the tech-

nical agencies.

Nicholas Hinton

The author is director general of Save the Children Fund

OBSERVER



Why don't we give the unemployed their own regiment?

crowd - not least that the decision was as good as made before he got near his office.

The minister cited endless experts who backed his decision - no less than 50 from outside, and 80 inside the ministry. But that sort of talk won't convince his more parochial fans.

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approach the millennium, thanks to that cause of many past conflicts, oil.

A Falkland Islands councillor, Terry Peck, has just sent an open letter to certain British MPs complaining that the British government has failed to provide a "letter of comfort" to the oil industry; this would have confirmed to the industry that a \$5m oil exploration survey being conducted around the islands would be just the first step to full exploitation.

The letter says: "The lack of action stems from the reluctance of ministers to face Argentina on this issue. ... The Argentine government has already written twice to oil companies claiming sovereignty over the areas concerned. Britain has done nothing to counter these claims."

Goodness knows what might happen were oil actually to be found.

Vazillating

In the way that accountants know best, Touche Ross has hit back at a group of disgruntled creditors to the collapsed Bank of Credit and Commerce International, whose cheerleader is Keith Vaz MP. Vaz had called for the removal of partners in the firm as liquidators to the bank, criticised their fees, the pace and the small size of the payment.

But in rigorous bean-counter fashion, Touche has retorted that

without Vaz's vacillations, payouts would already have commenced, and would have been gathering \$1m a week in interest. Thanks to the complainers, Touche has been forced to call a creditors' meeting in Wembley stadium at a staggering cost of £900,000.

Meanwhile, the firm insists that it is not still charging £1m a week in fees, as Vaz alleges - just a modest £700,000.

Happy days

Observer has not yet summoned up the energy to plough through The Insiders, financial journalist Judi Bevan's first attempt at writing a City pot-boiler. But if the tome is anywhere near as colourful as some of her sources, who turned up in force to help her celebrate Wednesday's publication, then it promises to be a good read.

Indeed, the launch party seemed to be more like a reunion for current and former merchant banking stars. City influence peddlers, plus a smattering of self-made businessmen.

In the neck

Does John Major wear a ready-made bow tie? It looked suspiciously like it when he appeared on the nation's TV screens last night. If so, a classless society may be closer than we think. Number 10 refuses to comment.

Who governs the BA board?

Today's meeting of the British Airways board will not be the last word in good corporate governance if all it does is confirm Sir Colin Marshall as executive chairman and promote Robert Ayling, a relatively inexperienced ex-civil servant, to be his number two.

brother

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FINANCIAL TIMES

Friday February 5 1993

**ENGINEERING
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Output per hour rising rapidly in service sector

US productivity shows best gains in 20 years

 By Michael Prowse
in Washington

IT WILL not be long before people start talking about a "productivity miracle" in the US.

Figures released yesterday confirmed that output per hour in non-farm businesses is growing at its fastest rate since 1972. Productivity rose at an annual rate of 4 per cent in the fourth quarter of last year and by 2.7 per cent in 1992 as a whole.

This represents a sharp turnaround after five years in which productivity growth averaged about 0.5 per cent a year. In recent congressional testimony, Mr Alan Greenspan, the Federal Reserve chairman, claimed the post-recession US economy was a "different animal". If recent productivity gains were sustained, he said, the potential long-term growth rate might be substantially higher than the 2.5 per cent assumed by most analysts.

Mr Greenspan said the reasons for faster productivity growth were not fully understood but it probably reflected "accelerating advances in computer software and applications" that were making possible big gains in efficiency in all sectors of the economy. Capital investment in

computer technology has soared in recent quarters.

The most encouraging aspect of yesterday's figures was the confirmation that productivity is now rising rapidly in service-sector companies (everything from banking and insurance to retailing and tourism), which account for about three quarters of economic activity.

Manufacturing productivity grew at an annual rate of 3.8 per cent in the fourth quarter, slightly slower than overall productivity, implying that service industries, if anything, are improving their efficiency even faster than manufacturers.

This is a new development. In the 1980s, US manufacturing productivity rose rapidly as companies came to terms with tougher global competition. Figures from the Organisation for Economic Co-operation and Development, for example, indicate that US manufacturing productivity grew by about 55 per cent between 1980 and 1991 compared with gains of less than 40 per cent in Japan and Germany.

But inefficiency in the US service sector meant that overall productivity growth was only about a third of the average 1.5 per cent a year pace in the industrialised world as a whole.

Better productivity figures also augur well for labour because the growth of labour costs per unit of output is falling rapidly. Unit labour costs rose at an annual rate of 0.6 per cent in the fourth quarter and by 0.7 per cent in the same period in 1991, the smallest annual rise since the mid 1980s. If sustained, such low increases in unit labour costs could result in a fall in inflation below the consensus forecast of 2.5 to 3 per cent this year.

The surge in productivity growth explains a hitherto puzzling feature of the current recovery: the juxtaposition of extremely optimistic news on economic growth with depressing reports of high job cuts at leading blue chip companies.

For the first time since the second world war, the US is experiencing a "jobless recovery". Nearly all the growth of gross domestic product has reflected gains in productivity rather than rises in employment, which has barely moved since the end of the recession nearly two years ago.

Analysts are keenly awaiting today's employment figures for January in the hope they will show the beginnings of a revival in job creation. But the chances are the US will have to learn to love productivity-led growth.

German mobile phone link won by consortium

By Quentin Peel in Bonn

A CONSORTIUM headed by Thyssen and Veba, the German industrial groups, and including BellSouth of the US and Vodafone of Britain, was yesterday awarded the licence to develop and operate a new cellular telephone network in Germany.

The so-called E1 network in Germany is believed to be the biggest digital cellular network yet built. Total direct investment in the network is estimated at DM4.8bn (\$2.9bn), and further indirect investments by suppliers worth a further DM3bn.

The network is expected to generate 8,000 jobs in Germany, of which 3,500 would be in the east. Mr Wolfgang Bötsch, the newly appointed German minister of posts and telecommunications, said yesterday.

The network is intended to cater for 3m subscribers by the end of the decade, and to begin operation initially in eastern Germany, based in Berlin and Leipzig, by the end of the year.

Mr Bötsch said the group had won by a clear margin from the only other competitor, a consortium headed by BMW, the Bavarian motor manufacturer, and MAN, the engineering group.

The new system will be the third cellular telephone network to be developed in Germany, and will compete directly with the C and D1 network operated by Deutsche Telekom, and the D2 system operated by Mannesmann.

The key difference is that the new network will operate at 1,800 megahertz, instead of the traditional but overcrowded 900MHz used by the existing systems. Germany will be the only country apart from Britain to use the higher frequency.

The Thyssen-Veba consortium was an unsuccessful bidder to develop and operate the D2 network, and there was a delighted reaction yesterday at the consortium's Düsseldorf headquarters. Thyssen and Veba each have a 25 per cent stake in the venture. BellSouth, based in Atlanta, Georgia, has 21 per cent, and Vodafone, the largest cellular telephone operator in Britain, has 16 per cent.

Other partners include several east German enterprises, among them Minol, the petrol refining and distribution chain taken over by Elf and Thyssen, and the French banking group Caisse des Dépôts et Consignations. The latter is expected to help promote a European network based on the DCS 1,800 standard, according to a consortium statement.

A Thyssen official said the system would be built up initially in east Germany, covering 88 per cent of that area by 1995, and 77 per cent on the west.

One of the main requirements for the system was to put the initial emphasis in east Germany where telephone density is only 20 per 100 inhabitants, compared with 50 per 100 in the west. Vodafone said the venture hoped to be making an operating profit within four years. The German cellular telephone market is seen as the European market with the greatest untapped potential, having only 1 per cent penetration of the population, compared with 8 per cent in Sweden, for example.

Mr Bötsch said the decision to open the cellular telephone market to a second private competitor would have the effect of promoting competition throughout the German telephone system, which is dominated by Deutsche Telekom, the state monopoly.

THE LEX COLUMN

Kingfisher dives in

If the misunderstandings surrounding the mere announcement of a possible merger between Kingfisher and Darty are anything to go by, then the consummation of such a deal could prove a marriage made in hell. Though Kingfisher is being coy about the details, it could end up staking £1bn or so for a company about which it knows little, operating in a country of which it knows nothing.

A link-up with Darty would solve the strategic conundrum of what to do with the weakly-placed Comet. Darty is an attractive business. It is the clear market leader in France with operating margins that must embarrass Comet. In time, considerable operating benefits could develop.

The worry lies in the financial structuring of any deal. It seems improbable that Kingfisher would stage a heavy rights issue to fund the merger. It is more likely to offer staggered payments to lock in Darty's management, which owns most of the company. Darty's desire to secure its financial position is easy to understand. The French retail market is heading for tough times as the economy flirts with recession. Still laden with heavy debts from its buy-out, Darty's management may not wish to struggle through unaided. A stock market issue would be difficult. A merger with a deep-pocketed retailer must appear attractive.

In his 10 years at the helm, Sir Geoffrey Mulcahy has developed a near-legendary reputation for caution. It would be extraordinary indeed if he were to jeopardise it now when the downside risks are so glaring.

Currencies

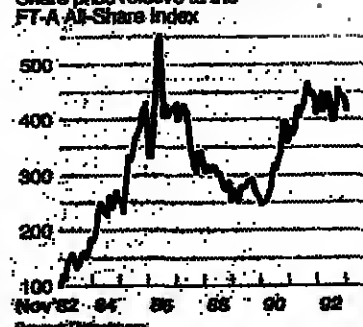
The Bundesbank clearly wrestled with its conscience to come up with yesterday's discount and Lombard rate cuts, but there is no escaping the importance of the signal it has sent to the markets. As with last month's decision to trim its money market repurchase rate, it has shown that, in the last resort, it will act to preserve the integrity of the ERM. Since yesterday's decision was unexpected by the foreign exchange markets, it is also an admission that the speculative attack on the Danish krone earlier in the week constituted a serious threat to the system as a whole.

With the Bundesbank in this mood, it will be difficult for speculators to justify renewed attacks. That does not mean ERM countries can feel comfort-

FT-SE Index: 2865.9 (-7.9)

Kingfisher

Share price relative to the FT-100 Share Index



able with their lot. The half point cut in the Lombard rate is largely meaningless; it simply allows the rate to catch up with falls in money market rates that have already taken place. The substantial move is the quarter point cut in the discount rate. That leaves other European countries scant leeway to cut their rates. It must look particularly niggardly in France where real short-term interest rates are roughly 10 per cent.

To bolster Europe's economic prospects much larger cuts are needed. One has to hope domestic developments will soon allow the Bundesbank to be less cautious. The fear is that budget deficit worries, and the strength of the dollar, may slow the pace of future cuts. If the Bundesbank continues only to give just enough ground to hold the ERM together, the deflationary agony of its ERM partners will simply be prolonged.

Lasmo

The risk in yesterday's £127m assets sale by Lasmo is that it might give the company an excuse to maintain the dividend. The company has not only obtained a price significantly above book; the cash will also reduce Lasmo's interest bill and cut its gearing ratio to around 75 per cent. Had the dollar held at the level prevailing at the time of the interims, gearing would be even lower, possibly as little as 50 per cent.

That gives Mr Joe Darby, Lasmo's chief executive, room for flexibility, but development expenditure requirements will be high over the next couple of years. Production from Lasmo's existing assets will not peak until the

mid-1990s. The exploration budget has already been cut. The dividend costs over £80m after allowing for untaxed ACT. There is not an indefinite supply of peripheral assets which can be sold to meet the payment.

The relaxed performance of the shares since the resignation of Mr Chris Greentree suggests a dividend cut is already largely discounted. Indeed, investors might be happier with a strategy aimed at securing long-term growth out of Lasmo's undoubtedly valuable assets than with one offering them only short-term return. BP's share price is now higher than it was last June when Mr Bob Horton's resignation made a dividend cut inevitable. That partly reflects the higher starting oil price, but it also shows the market can respond positively to the establishment of a dividend level in line with what the balance sheet will bear.

Japan

While the 0.75 percentage point cut in Japan's discount rate was no surprise, the authorities must be disappointed that the stock market actually fell on the news. Shares had rallied ahead of the announcement, but the equity market's lack of enthusiasm reflects more than cynicism over a stage-managed event. The recession has prompted a larger cut than the Bank of Japan previously wanted. Yet given the debt overhang from the "bubble" years, lower interest rates will take a long time to revive the economy. Even the expected second supplementary budget in May may not have much immediate impact.

With the Nikkei trading at around 55 times this year's earnings, shares look expensive. The market is trapped in a narrow range with government-sponsored pension fund purchases on one side and almost everyone else on the other. There is little to break the impasse, though the approach of the financial year-end in March may tempt those companies with long term shareholdings to flatter this year's profits with some judicious sales.

If the government does manage to hold the line, few will be tempted into the stock market. Individuals are still nursing large losses; institutions are seeking yield and security. Those prepared to look beyond the current recession see a period of slower growth in Japan. As Japan's economic prospects start to mirror the rest of the industrial world, its share ratings may have to follow.

Dijon cleans up Scottish jobs in reversal of Hoover move

 By Robert Taylor,
Labour Correspondent

DIJON is getting its own back on Glasgow. In an ironic reversal of Hoover's switch of jobs from the French town to Glasgow, another multinational is to close the bulk of its Scottish plant and indirectly move jobs to Dijon.

Nestlé Rowntree, the Swiss-owned food conglomerate, said yesterday it would close the chocolate bar production part of its plant in Glasgow over the next two years with the loss of 550 jobs. The production of its Breakaway and Blue Riband brands will be switched to the company's Fawdon plant near Newcastle upon Tyne.

As a result the company will move UK production of its Lion bar from Newcastle upon Tyne to its new Dijon plant where the European production of Lion will be concentrated on a large, technically advanced production line.

Nestlé Rowntree said it would look for a buyer for the 140 year old Glasgow plant, which would continue to make Gray Dunn chocolate biscuits. If a buyer could not be found the whole plant would be closed.

The announcement came less than a fortnight after Hoover's decision to shut its Dijon vacuum cleaner plant and shift production to Glasgow, and union leaders in Scotland last night denounced the Nestlé Rowntree move as a political manoeuvre to placate the French.

"I would need a lot of convincing that this is pure coincidence," said Mr John Glass, deputy divisional officer in Glasgow of the Union of Shop, Distributive and Allied Workers, whose members will lose jobs as a result of the Nestlé Rowntree closure.

Mr Mick Casey, a company spokesman said: "I cannot stress strongly enough that there have been no political trade-offs. The

Dijon connection is pure coincidence. We have to make our products as competitively as possible." A spokesman for the parent company in Switzerland said: "We are not in business to satisfy the national ego of anybody. We are here to make money."

He said the decision to close the Glasgow plant originated in 1990 when the company closed its Noisiel plant outside Paris and moved to Dijon to "take advantage of economies of scale".

Nestlé Rowntree will shortly announce that it is moving the production of Quality Street chocolate from Dijon to Halifax in the west riding of Yorkshire. In the complex shifting of production the company insists there will be no overall loss of jobs.

Mr Glass said the union was told of the move in a written letter at 2pm yesterday. "There is no justifiable reason for closing the Glasgow plant. We intend to fight it all the way," he said.



A thousand workers from the French Hoover and Grundig factories marched on the European Commission headquarters in Brussels yesterday to protest against the move of their plants to Scotland and Austria, where wages and social benefits are lower.

Demerger plan for Daf in Netherlands and Belgium

Continued from Page 1

ple. Under the original restructuring plan, Daf would have concentrated on the manufacture of heavy and medium-sized trucks. It would have attempted to find a partner for the manufacture of light trucks, at present assembled at the Leyland plant with 2,300 employees.

Bankers said yesterday they believed MAN of Germany was the best partner for Daf in light

trucks and were hopeful that talks between the two companies could be pursued.

Daf's restructuring plan was based in part on an investigation by the management consulting firm A.D. Little, backed up by financial estimates from accountants Coopers & Lybrand.

A confidential study by Coopers estimated that Daf's losses in 1992 were in excess of £180m. This included a £150m provision to cover restructuring costs.

Coopers and Daf also estimated that Daf needed to raise finance of £160m in 1993, followed by £150m the following year and £125m in 1995. These funds would have had to be provided by the company's banks, its holders of preference shares and debentures, together with the Dutch government and the Flemish regional authorities.

Any demerger would need to be approved by the group's banks, principally a consortium of nine led by the Dutch bank, ABN Amro, which is the biggest lender to Daf.

Daf confirmed that it had received a short-term bridging loan from its banks and the Dutch government to allow it to continue trading for a month. It has received a loan of more than £100m, including £18m from the banking consortium, which includes three UK banks, National Westminster, Lloyds and Barclays.

World Weather		°C		°F		°C		°F		°C		°F	
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INTERNATIONAL COMPANIES AND FINANCE

Montedison close to sale of subsidiary to Procordia

By Haig Simonian in Milan

MONTEDISON, the loss-making Italian chemicals and agro-industrial group controlled by Ferruzzi, yesterday confirmed it was in the final phase of talks to sell an important stake in its profitable Erbamont pharmaceuticals subsidiary.

The likely buyer is Procordia, the Swedish pharmaceutical group, which was rumoured to have been in talks on buying a stake last year.

Montedison gave no indication of the size of the stake for sale or the potential price. However, analysts believe the group, which is struggling to

reduce its large debts by disposing of non-core activities, will give up majority control.

Montedison said the aim was to create one of Europe's biggest pharmaceuticals companies. Erbamont controls Farmitalia Carlo Erba, the leading Italian producer of prescription drugs. The group, which had sales of about L1,600bn (\$1.1bn) and operating profits of about L250bn last year, is active in the US through its Adria Laboratories subsidiary.

Procordia's pharmaceuticals activities are conducted through its Kabi-Pharmacia arm. The operation, which specialises in drugs for growth problems, eye surgery and

patient feeding problems, has annual sales of about L2,600bn. Erbamont controls Antibioticos, a smaller bulk pharmaceuticals business, with turnover of about L1,750bn, which is not expected to be included in the transaction.

In spite of its profitable agro-industrial and energy businesses, Montedison plunged into loss in the first half of last year as a result of the downturn in the world chemicals business and heavy interest payments on its debts. Apart from the sale proceeds, divesting a majority stake in Erbamont would allow the group to take about L1,000bn in Erbamont debt off its balance sheet.

Celcius ownership structure to be broadened

By Christopher Brown-Humes in Stockholm

CELCIUS, the Swedish state-owned defence group, moved a step nearer privatisation yesterday when the government announced plans to broaden the company's ownership structure and consider a stock market quotation within four months.

The government says the state will remain a significant shareholder in the group, but it

is likely that its holding will be reduced to about 20 per cent if enough industrial and institutional investors are willing to buy the shares. Estimates of the market capitalisation range widely, with most falling between SKr2bn and SKr3bn (\$276m to \$415m).

The aim is to draw in industrial and institutional owners, rather than retail investors.

If carried through, this would make Celcius the second large Swedish privatisation

since the government announced in 1991 that it was planning to sell off 35 state-owned groups.

Last year, the government sold off the big state steel group, SSAB, and three smaller companies.

However, a stumbling block could be the attitude of the opposition Social Democrats, who say they oppose a stock market listing for Celcius at this stage. The party gained a say in the privatisation process

as part of a crisis package agreed with the government last September.

Mr Olof Lund, Celcius chairman and chief executive, said the group had decided in September 1991 that it wanted to broaden its ownership structure.

Since then, it has been carrying out internal restructuring, which has included the sale of its installation company Calor and the disposal of some real estate operations.

Mr Per Westerberg, industry minister, said: "A market quotation for Celcius gives the company the possibility to take an active part in the restructuring of the Swedish and European defence industry."

Even though Celcius is a defence company, there are no restrictions on foreign ownership.

Celcius made a profit of SKr345m on sales of SKr7.7bn in the first eight months of 1992.

SGS-Thomson returns to profit

By William Dawkins in Paris

SGS-THOMSON, the Franco-Italian state-owned semiconductor group yesterday revealed it swung into a \$3m net profit last year from a \$102.6m loss in 1991, and forecast a big improvement in 1993.

Mr Pasquale Pistorio, group president, said the group, the world's 13th-largest chip maker, had increased its share of the global semiconductor market slightly to 2.7 per cent from 2.5 per cent in 1991. The company, which is in its fifth year, said it needed to nearly double that to ensure long-term survival.

Mr Pistorio said his ambition

was to achieve this towards the end of the decade through a mixture of internal growth and alliances with other electronics companies.

The world semiconductor market will nearly triple in size to \$170bn, from \$60bn, over this period, the group estimated. That implied that SGS-Thomson's sales needed to increase more than five-fold to \$3.5bn over the next seven years from last year's \$1.6bn. Group sales rose by 12 per cent last year, two points ahead of the market.

Demand for microprocessors and memory chips was rising fast in the US and Asia Pacific, the first phase of a recovery

outside Europe, said Mr Pistorio.

The recently agreed injection of \$1bn equity from the French and Italian states would help boost growth. But the first \$600m, due before Christmas, had not yet been received. Mr Pistorio was unworried.

SGS-Thomson also said it had yet to realise another of its strategic aims - to start making D-Rams (dynamic random access memories). These are the basic building block of computers and represent a far larger market than the Eprams (erasable programmable read-only memories) in which SGS-Thomson specialises and holds a 14.5 per cent market share.

Marriott earnings static at \$85m

By Nikki Tait in New York

MARRIOTT, the US hotel and food services group which has faced bondholder anger over a plan to split its management operations and property assets into two separately-quoted entities, yesterday reported static profits for 1992.

The company earned \$85m after tax during the 12-month period, against \$82m in 1991,

after a slip to \$19m from \$27m in the fourth quarter.

Revenues for the year were \$8.72bn, compared with \$8.33bn while fourth-quarter sales totalled \$2.78bn against \$2.73bn.

The full-year and final-quarter figures for 1992 were struck after a \$31m pre-tax charge covering "transaction costs associated with the plan to divide Marriott into two separate companies". Comparisons were muddled by property sales and other factors. It claimed underlying operating had increased by 11 per cent.

On the lodging side, Marriott said the underlying operating profit advance was 14 per cent. Occupancy rates rose in all four main segments of the lodging business, and average room rates improved in two segments.

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Defence companies in France link arms

David Buchan looks at the first restructuring of the military industry for 20 years

FRANCE'S powerful defence companies are closing ranks, as their quartermaster - the French state - has told them to.

The most visible sign of what is the first restructuring of the French military industry for some 20 years is the recent accord between Aerospatiale and Dassault Aviation. The government has used its financial holdings in the country's two aircraft makers to force them into more industrial co-operation.

There have been recent shifts in other areas. SAGEM, a space and aeronautics company, has taken an 8 per cent stake in Dassault Electronique. CAP Saes, the computer services company, has a co-operation agreement with the Matra defence arm of the new Matra-Hachette group.

French arms equipment spending		
FFr (bn)	% GDP	
1987	85.5	1.82
1988	90.8	1.99
1989	98.0	1.98
1990	102.2	1.91
1991	103.2	1.79
1992	102.9	1.72

Source: French defence ministry

France. The Taiwan contract is Dassault Aviation's first military export order in more than four years.

In spite of this order, France's arms exports, which totalled FF29bn in 1991, are well down on their mid-1980s level, without any compensating increase in orders from the French state.

The government is trying to give the industry a soft landing by keeping the equipment budget steady in nominal terms (FF102.9bn last year). "But we will have to be more selective in the future, we can't have any more doubling up of research," says a senior adviser to Mr Pierre Joxe, the defence minister.

It was precisely to avoid research duplication that Mr Joxe decided that the state should at last exploit its 46 per cent overall stake in Dassault. He revived a state holding called Sogepa, set up in 1987 to hold the 20 per cent stake which the state then took in Dassault.

To that original Sogepa hold-

ing in Dassault Mr Joxe has added 16 per cent of the state's further acquisitions of Dassault in 1991.

However, the government has kept a direct 10 per cent stake in Dassault, with the right to one direct nomination to its board. At the same time, the government has put into Sogepa 35 per cent of state-owned Aerospatiale's equity.

The financial web has been completed by making Mr Louis Gallois, Aerospatiale's head, president of Sogepa with its decisive voice in Dassault, and by making Mr Serge Dassault vice-president of Sogepa and a board member of Aerospatiale.

The point of creating this incestuous relationship is, says the defence ministry, that the two companies should conduct more of their research and commercial activities in common.

They certainly have large research departments. Dassault, for example, employs 3,200 engineers, a quarter of its total payroll.

Aerospatiale's larger commercial network could benefit Dassault, whose sales force has receded in line with its export orders.

France is still an important maker of missiles - about FF25bn a year. But it is not so important, says Mr Henri Conze, a former senior defence official who advises France's conservative opposition, that it warrants maintaining three producers - Aeros-

patiale, Thomson-CSF, Matra. "There are now seven missile companies in Europe, but there will only be two eventually," he forecasts.

At the centre of the manoeuvring is Aerospatiale, whose long-standing missile co-operation with Deutsche Aerospace is undergoing one of its cyclical drops, and which is thus seeking a domestic partner; ship, even partial merger, with either Thomson or Matra.

Each has its merits. Thomson makes radar/command and control systems into which

Aerospatiale missiles could be integrated. Matra makes missiles, but of ranges that complement Aerospatiale's.

Just for that reason, Matra is nervous that Thomson may be planning to buy, from Bombardier of Canada, Short Brothers of Belfast.

The latter makes short-range missiles that could compete with Matra's.

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A new conservative government would probably find Thomson relatively easy to make private because it once was so. Aerospatiale would be much harder to float.

However, Mr Conze believes privatisation is largely irrelevant.

Whatever their ownership, defence companies are effectively controlled by their customer - the state. The socialist government agrees. The crucial issue is forging international as well as domestic alliances.

"The real question is not whether French defence companies are privatised or nationalised," says one of Mr Joxe's officials.

"It is whether they should have their capital opened up to foreign partners."

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NEW ISSUE

This announcement appears as a matter of record only.

February, 1993



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BOUYGUES

The board of Directors of BOUYGUES met on 28th January 1993, with Mr Martin BOUYGUES in the chair, to review the activities of the Group in 1992 and to consider the outlook for 1993.

ACTIVITIES AND RESULTS FOR 1992

BOUYGUES CONSOLIDATED (FFr millions)	1990	1991	1992 (estimate)
Turnover	56,727	64,347	61,000
Net profit attributable to the Group	626	835	890*

* excluding possible provision in respect of the Channel Tunnel.

Throughout 1992 the economic climate in France was particularly unfavourable and no sign of a change could be detected.

Despite these difficult circumstances the Bouygues Group maintained a significant level of activity, strengthened its position in its principal markets and produced satisfactory results.

The results of the Building/Public works division are rapidly improving. Property Division remains profitable. The results of the Other Activities are progressing satisfactorily.

Bouygues is a member of "GIE Transmanche Construction" which is constructing the Channel Tunnel. The Transmanche Construction which has not yet finished its accounts, can end 1992 with a loss not greater than that recorded for 1991, then the consolidated profit of the Bouygues Group for 1992 will be around FF 890 million - an increase of 7% over that of 1991.

The first accounts for the Bouygues Group will be available after the year-end of the Bouygues Group, which will be published in the first half of 1993.

OUTLOOK FOR 1993

The forecast turnover for 1993 is as follows:

Consolidated turnover (FFr billion)	1991 actual	1992 estimate	1993 forecast
Building / Public Works	23.5	23.2	22.3
Real Estate	22.2	22.3	21.0
Property	6.7	6.2	5.7
Other activities	12.9	11.8	11.2
TOTAL	65.3	63.5	59.2

The forecast international turnover for 1993 amounts to FF 17 billion. This relates principally to activities in Europe (85%), North America (20%), Africa (20%) and the Far East (17%).

The forecast turnover in 1993 for SAUR amounts to FF 7.7 billion (an increase of 8%) and that of TFI amounts to FF 7.3 billion (an increase of 5%).

Including the turnover of companies consolidated using the equity method - SAUR and TFI - the forecast total turnover of the Bouygues Group for 1993 amounts to FF 73.7 billion with international activities accounting for 23.2 billion.

An interim dividend of FF 0.50, together with a tax credit of FF 0.25 per share and investment certificate, will be paid to shareholders on 28th January 1993.

SPAIN

The FT proposes to publish this survey on March 15 1993

It will be seen by 92% of the professional investment community in financial institutions across Europe.

For a full editorial synopsis and advertisement details please contact:

Richard Oliver in Madrid Tel: 607 0909 Fax: 677 6813 or write to him at Financial Times, Berne, CH 26001 Madrid.

Alternatively contact: Kewley Saunders, One Southwark Bridge, London SE1 8EL. Tel: 071 873 4823 Fax: 071 873 4828.

Data source: European Institutional Investors 1997.

FINANCIAL TIMES

ASFINAG

Autobahnen- und Schnellstrassen-Finanzierungs-Aktiengesellschaft U.S. \$200,000,000 Guaranteed Floating Rate Notes due 2003

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 4th May, 1993 has been fixed at 3.2125% per annum. The interest accruing for such three month period will be U.S. \$79.42 per U.S. \$10,000 Bearer Note, and U.S. \$79.42 per U.S. \$100,000 Bearer Note, on 4th May, 1993 against presentation of Coupon No. 2.

Union Bank of Switzerland London Branch Agent Bank 2nd February, 1993

NIB

Nordic Investment Bank U.S. \$100,000,000 Collared Floating Rate Notes due 2003

For the Interest Period 4th February, 1993 to 4th August, 1993 the Notes will carry an Interest Rate of 5.25 per cent per annum with Interest Amounts of U.S. \$26.40 per U.S. \$1,000 and U.S. \$263.96 per U.S. \$10,000. The relevant Interest Payment Date will be 4th August, 1993.

Bankers Trust Company, London Agent Bank 5th February, 1993

US\$175,000,000

Floating rate depositary receipts due 1997 issued by

The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with

BANCO DI ROMA London Branch

Notice is hereby given that the receipts will bear interest at 3.4875% per annum from 5 February 1993 to 5 August 1993. Interest payable on 5 August 1993 will amount to US\$1,753.44 per US\$100,000 receipts.

Agent: Morgan Guaranty Trust Company

JPMorgan

INTERNATIONAL COMPANIES AND FINANCE

US groups renew attack on BA deal

By Nikki Taft in New York

THE BEHAVIOUR of British Airways towards Mr Richard Branson's Virgin Atlantic is being cited by the "big three" US carriers as a reason why the US Department of Transportation should hold a full inquiry into BA's proposed tie-up with USAir.

The Virgin affair surfaces in the latest letter from the chief executives of American, United and Delta Air Lines to Mr Federico Pena, the new US transportation secretary. It resulted in British Airways settling a "dirty tricks" libel action last month, and paying damages to Virgin.

"Given BA's campaign last year to gain control of USAir,

the timing of last month's transaction, BA's reference to potential additional investments in USAir of up to \$450m, and BA management's recent admissions of anti-competitive behaviour against its largest UK competitor, the Department cannot accept BA's claim of non-competition without a full and public inquiry," they maintain.

The missive is the latest in a war of words which followed BA's announcement last month that it had invested \$300m in USAir in return for potential 19.9 per cent voting interest.

This new agreement between BA and USAir also allows the UK carrier to invest a further \$450m over a five-year period if

foreign control provisions permit, and is accompanied by plans for code-sharing by the two airlines, which they are seeking to implement from May 1.

BA and USAir have argued that the code-sharing arrangement, which would lead to some integration of their operations, is authorised by the UK-US aviation bilateral, following a revision in 1991 which allowed American and United into Heathrow.

However, the US carriers complained to Mr Pena that the Heathrow agreement did not address "the issue of code-sharing with a US carrier in which a British carrier holds a substantial equity interest".

stake in USAir constitutes precisely the kind of "changed circumstances" that the UK government invoked as a basis for extracting significant concessions as a prerequisite to permitting United's and American's entry into Heathrow.

"Since BA's proposal will have an 'undue effect' on US air carriers, US denial of code-sharing authority is justified within the framework of the existing bilateral agreement."

The DoT, which is responsible for authorising the code-sharing agreement, has yet to decide how to proceed on the new BA-USAir tie-up. It said last year that it would not have BA's earlier \$750m investment plan for USAir.

Raymond named new chairman of Exxon

By Alan Friedman in New York

EXXON, the largest US energy group, last night named a new chairman, the president, would be named this spring as the new chairman, succeeding Mr Lawrence Rawl, who will reach the mandatory retirement age of 65.

Mr Raymond, who is 54 and first joined Exxon as a production research engineer in 1963, will in turn be succeeded as president by Mr Charles Sitter, a senior vice-president and director of Exxon.

The retirement of Mr Rawl, to take effect on April 28, the date of Exxon's annual shareholders' meeting, may indicate a change of style at the top of the big US oil and gas company.

Mr Rawl is best known in the US as the Exxon leader who was harshly criticised by the media in 1989 for his attitude to the Exxon Valdez oil spill in Alaska, one of the worst US environmental disasters.

Mr Raymond, also a director of J.P. Morgan, the blue-chip New York bank, has held a wide variety of positions at Exxon and is active at the Council on Foreign Relations.

In the 1960s and 1970s, he worked at Exxon's US company and was later responsible for Exxon's international supply and transportation of petroleum products and crude oil and for running former Exxon affiliates in Aruba and Venezuela.

Between 1979 and 1981, Mr Raymond was president of Exxon Nuclear Company. He later presided over Exxon's operations in the Caribbean, central and South America, becoming president of the Exxon group in 1987.

Mr Sitter, who is 62, is responsible for Exxon's chemical business as well as the treasury and tax functions of the group.

Poor nickel prices hit Inco result

By Bernard Simon

SLIDING nickel prices pushed Inco, the West's biggest producer of the metal, to a deeper fourth-quarter loss, despite a vigorous effort to contain costs.

The Toronto-based company's loss reached US\$28.9m, or 23 cents a share, up from a deficit of \$5.5m, or 7 cents a share, in the third quarter. Fourth-quarter revenues slid to \$627m from \$710m.

The latest figures include after-tax expenses of \$9.7m for production shutdowns and \$8.1m for severance pay.

The biggest drag on earnings, however, was a drop in average nickel prices to \$3.01/lb in the final three months of the year, from \$3.55 a year earlier, and \$3.47 in the third quarter. Copper prices were also lower.

The company ascribed the fall in nickel prices to the surge in exports from Russia and "reduced demand" in some consuming countries.

The fourth-quarter performance was the worst of the year and resulted in a loss for 1992 as a whole of \$17.6m, or 21 cents a share, compared with earnings of \$82.6m, or 74 cents, in 1991. Revenues for the year dipped to \$2.61bn from \$3.05bn.

Weak nickel prices have forced the company not only to cut back output, but also to tighten cost controls.

Nickel deliveries fell to 473m lb last year, from 507m lb in 1991. Fourth-quarter shipments were down to 125m lb from 135m lb. Gold shipments fell especially sharply, from 23,000 ounces to 9,000 ounces.

Inco said that its nickel unit production costs fell by 14 per cent in the fourth quarter against a year earlier.

Capital spending will be trimmed to about \$225m this year, from \$234m last year and \$440m in 1991.

The company said it planned to further reduce costs.

Campbell gains 53.6% of Arnotts with AMP stake

By Kevin Brown in Sydney

CAMPBELL Soup, the US food group, last night claimed victory over Arnotts, the Australian biscuit maker, after its hostile takeover offer was accepted by the AMP Society, Australia's biggest financial institution.

AMP said it had sold a 6.3 per cent stake in Arnotts, reducing its stake to 2.2 per cent. This reversed AMP's earlier decision to reject Campbell's \$9.50-a-share offer, which values Arnotts at \$1.2bn (US\$870m).

The society's change of heart increases Campbell's stake in Arnotts to 53.6 per cent, comfortably in excess of the group's target of 50.1 per cent.

Further acceptance is expected before the bid closes today. However, Campbell will be prevented from taking control of Arnotts by a shareholding agreement which prevents the US group from appointing a majority of board members unless it acquires 88.1 per cent of the shares.

The agreement was drawn up when Campbell took a friendly 33 per cent stake in Arnotts in 1985 as part of the company's defence against a hostile bid by Mr Alan Bond's Bond Corporation Holdings.

Mr David Johnson, Campbell's chief executive, said the group would encourage Arnotts to expand its presence in the growing Asian biscuit market, which it claims the Australian company has neglected.

Mr Johnson, who was born in Australia, said AMP's change of mind was "wise and responsible". He said it would serve the national interest by assisting Arnotts to grow.

Mr Bill Purdy, Arnotts' chairman, said he was "disappointed" by the AMP's decision, but claimed it was "out of the question" Campbell would gain control of the board.

The AMP move was criticised by family shareholders, who have campaigned strongly against Campbell's offer on the grounds that it would transfer control of important Australian consumer products to foreign owners.

Ms Alice Oppen, chairman of a shareholder lobby group and a descendant of one of Arnotts' founders, said Campbell must have offered "inducements" to AMP to change its decision.

She said family shareholders, who account for more than 20 per cent of the stock, would try to ensure that Campbell was unable to achieve control of the board.

Mr Leigh Hall, AMP's investment manager, said the society had accepted the offer because it believed that the bid would not be increased or extended.

AMP was "sympathetic" to calls for Arnotts to remain Australian-owned. But he said "Arnotts is now more than one-half foreign-owned and... Campbell will in any event have a considerable input into its operation."

"Given this position, AMP considers that the size of the minority Australian element is no longer a relevant issue." Arnotts shares closed 1 cent lower at \$8.51.

Fletcher wins 43% of Methanex

By Bernard Simon in Toronto and Terry Hall in Wellington

METHANEX, of Vancouver, has won the world's biggest methanol producer and distributor under a deal to buy the methanol interests of Fletcher Challenge, of New Zealand.

Methanex, whose biggest shareholder is Metallgesellschaft, the German metals and chemicals group, will pay Fletcher Challenge US\$250m in cash plus 74m Methanex shares.

As a result, Fletcher will end up with a 43 per cent stake in Methanex, while Metallgesellschaft's interest will drop from 32 per cent to 10 per cent.

But the German group will have an option to acquire some of Fletcher's shares, and each group will have a right of first refusal on the other's shares.

The deal is conditional on shareholder and regulatory approvals as well as the completion of financing for the cash payment. Methanex also announced it was raising \$346m (US\$272m) by selling 42m shares to an underwriting group of Canadian securities dealers.

Its purchase of the Fletcher assets, together with other expansion projects under way, will boost its annual production and marketing capacity to over 5m tonnes of methanol, or almost a quarter of world output.

Its leading facilities will be in North America, New Zealand, Chile and Trinidad.

The company said the plants being bought from Fletcher were among the lowest-cost facilities in the world and would "considerably" reduce Methanex's average production costs. Methanol is a key feedstock for production of methyl tertiary butyl ether (MTBE), used as an octane enhancer and oxygenate to cut emissions from motor vehicle engines.

Demand for MTBE is rising in the US following passage of the Clean Air Act in 1990, which requires the use of oxygenates in petrol.

Thai banks earn more after liberalisation

By Victor Mallet in Bangkok

THAILAND'S 15 commercial banks increased their overall net profits by 59.8 per cent last year to \$1.10bn (\$1.2bn), after a 25.4 per cent rise in 1991, according to figures compiled by Bangkok Bank, the country's largest.

Bangkok Bank attributed the strength of profits partly to financial liberalisation measures introduced by the Thai authorities, including the relaxation of foreign exchange controls and the easing of restrictions on new branches.

Banks have been allowed to engage in many new areas of business. Compulsory holdings of government bonds as a condition for opening new branches have also been reduced.

"All banks have been improving their efficiency to prepare themselves for the anticipated greater competition from both local and overseas commercial banks and other financial institutions," Bangkok Bank's research department said.

"Furthermore, several banks have been able to reclaim many of their bad debts, resulting in greater revenue."

One factor not mentioned in the report is the continued co-operation between Thai banks in maintaining wide spreads between deposit rates and lending rates.

Bangkok Bank said the assets, deposits, credits and capital of Thai banks last year grew at a lower rate than in previous years because of the moderate slowdown of the local economy and the world recession. Assets of the 15 banks were \$12,638.5bn at the end of December.

Rates of return on assets were generally higher last year than in 1991, averaging 1.3 per cent against 0.87 per cent, with Bangkok Bank itself achieving the highest figure of 1.58 per cent.

Bangkok Bank also had the highest rate of return on equity, at 28.25 per cent, compared with the average of 17.69 per cent.

Twelve of the banks reported much higher increases in net profit last year than in 1991. Bangkok Bank was one of the three exceptions: its net profit rose 45.3 per cent last year to \$10.54m, after a 54.7 rise in 1991.

Caisse d'Epargne net slides 14% to FF2bn

By Alice Rawsthorn in Paris

CAISSE d'Epargne, the French network of savings banks, yesterday highlighted the pressures on France's banking sector by publishing provisional results for 1992 which indicated a 14 per cent fall in net profits to FF2bn (\$370m).

Mr René Barberey, chairman of Caisse d'Epargne, the main savings institution in France, said the profits reduction reflected the financial impact of the company's attempts to modernise its activities by investing in new management systems and technology.

Net profits were FF2.5bn on net banking income of FF23.3bn in 1991, a year in which its overall costs settled at FF17.7bn. Mr Barberey did not indicate the likely level of sales and costs for 1992 but said operating profits fell between 7 per cent and 8 per cent during the year.

The profits warning from Caisse d'Epargne is the latest in a series of gloomy announcements from the French banks, which are being squeezed by the dual impact of the economic slowdown and the crisis in the French property market.

Paribas, one of the most prestigious investment banks, last week announced that it had returned to the black with net profits of around FF900m in 1992, but had been forced to make heavy provisions.

Saudi British Bank plans flotation

By Mark Nicholson in Cairo

SAUDI British Bank, the Riyadh-based joint-venture bank 40 per cent owned by Hongkong and Shanghai Banking Corporation, is to float 1.2m shares on Saudi Arabia's stock market from February 13 to raise its paid-up capital by 150 per cent to \$1.1bn (\$260m).

HSCB will buy a further 800,000 shares in the issue to retain its present holding. Bankers in Riyadh say the shares would be offered at \$5.70, a \$1.100 face value price plus a premium of \$1.470. The bank will also offer existing shareholders 4m free shares, one-for-one, paid for from reserves. This is likely to halve the share's present market price, presently just over \$1,500, offering a substantial premium after the flotation.

Saudi Arabia's stock market has eased from its buoyant peaks last year, partly as a result of a slew of new issues, but bankers expect the Saudi British issue to be heavily subscribed. "Some extraordinary figures have been handled around," said one.

Saudi British Bank, the Kingdom's fourth-largest, recently reported a 7 per cent rise in net profits for 1992 to \$268.1m, but sees last year's figures as the end of a period of recovery and restructuring.

The bank has doubled its balance sheet size since 1988 and is thought to require the additional capital to expand further. The bank says it is looking to capitalise on the continued buoyancy of both the consumer market and private sector in the kingdom since the end of the Gulf war.

Omron joins Japanese trend on job cuts

By Michio Nakamoto in Tokyo

OMRON, the Japanese control component maker, joined the country's growing number of corporations altering their long-held employment practices due to the prolonged economic slowdown.

The company is reducing its workforce by 9 per cent over the next three years, said Mr Yoshio Tateishi, president. The company will reduce its total workforce of 16,000 by 1,500, but Omron plans to achieve this by natural wastage and by reducing its graduate intake.

Omron's taxable profits, hit by a fall in capital spending, were 80 per cent down to ¥1.28bn (\$10m) for the six months to September.

Northwest Air deficit soars

By Nikki Taft

NORTHWEST Airline, the fourth-largest US carrier in which KLM Royal Dutch Airlines holds a significant minority stake, yesterday reported an after-tax loss of \$89.1m, before special charges, in the fourth quarter.

This compares with a \$79.2m loss for the same period of 1991, and brings the after-tax loss for the year to \$156m - substantially increased from the \$3.1m deficit seen in 1991.

Including changes related to accounting changes, quarterly and annual losses for the airline operations were \$207.2m and \$383m respectively.

Meanwhile, NWA, the privately-owned parent company, incurred losses of \$139m (against \$164.3m) and \$405.1m (\$316.9m) in the fourth-quarter and 12-month periods respectively, with the charges excluded.

With the addition of these items, the deficit widened to \$682.4m in the final three months of the year, and \$1,066m in 1992 overall.

Revenues were virtually unchanged at \$1.93bn in the final quarter, but increased by 5.3 per cent for the year overall to \$8.13bn.

Northwest's figures complete the results season for the leading US airlines. With the

exception of Southwest Airlines, all carriers have shown heavy fourth-quarter and annual losses before the accounting-related charges.

Mr John Dasburg, Northwest's chief executive, summed up the prevailing view of the airline companies yesterday when he said the results "underscore the extremely difficult and predatory pricing environment in which this industry operated beginning in April 1992".

"The pricing environment and the slow economic recovery both domestically and internationally made 1992 the third bleak year in a row for this industry," he noted.

US retail sales continue to rise

By Nikki Taft

MOST big US retailers reported healthy sales gains in January - an extension of the trend late last year and further evidence the economy is pulling out of recession.

Retailers claimed promotions, such as heavy price-discounting, were less noticeable than in the same month of previous years, which should boost retailers' profits.

Mr Joseph Antonini, head of K mart, the large discount store chain reported: "Record sales and profits in December, as well as high sell-through of seasonal and apparel merchandise during the Christmas season, resulted in fewer clearance sales at mark-down price this January."

Mr William Howell, chairman of J.C. Penney, the Texas-based retailer, said: "During the month, we virtually sold out of winter merchandise, and early spring apparel sales posted good gains."

"Promotional activity was considerably below the level of



Joseph Antonini of K mart reports fewer clearance sales last year," he added.

Sales growth was spread across the retail sector.

Wal-Mart, the largest stores group in sales terms which and operating operates at the discount end of the market, reported a 10 per cent rise in same-store sales last month.

Among specialty stores, The Gap, the fashion retailer, clocked up a 12 per cent

improvement in comparable store sales.

Circuit City Stores, one of the largest consumer electronics retailers, posted a 13 per cent advance in same-store sales.

Among the department stores, Federated, which takes in Bloomingdale's and The Bon Marche, had a 5.3 per cent sales advance.

May Department Stores recorded a 7.4 per cent sales improvement in its department stores. Neiman Marcus reported a 7.9 per cent improvement.

Sears, the large Chicago-based retailer, which recently announced the closure of its catalogue operation, recorded a 6.3 per cent advance in same-store sales.

There were laggards. Woolworth reported a rise of only 0.2 per cent in comparable domestic store sales in January.

K mart saw general merchandise sales dip by 0.7 per cent year-on-year, although the specialty stores division posted a 2.5 per cent improvement.

Jury ruling could hurt GM

By Martin Dickson in New York

GENERAL MOTORS, the embattled automobile company, yesterday suffered a blow to its image and a potentially significant financial loss when an Atlanta jury ruled that it must pay punitive damages to the parents of a teenager who died in the fiery crash of a GM pick-up truck.

The case is part of a big controversy over the safety of certain of GM's full-sized pick-up trucks. Critics claim that vehicles built between 1973 and 1987 were firetraps because the

fuel tanks were side-mounted, outside the frame of the vehicle, and were likely to catch fire in side-impact collisions.

Numerous lawsuits have been filed against GM over pick-up truck accidents, and last month federal regulators opened an inquiry into the safety of the vehicles. GM insists the trucks are safe, but if the regulators decide otherwise it could mean the recall of some 4.7m trucks, at a cost to GM of millions of dollars.

The Atlanta case, which could encourage further costly legal action against the company, gained celebrity when a former GM engineer, who had previously testified on behalf of the car company, took the witness stand and alleged that GM had known for years that the trucks were firetraps.

The jury ruled GM must pay yet-to-be determined punitive damages to the parents of Shannon Moseley, the 17-year-old boy killed in the 1989 crash. They also awarded the plaintiffs \$4.2m in a wrongful death claim.

GM said it was confident the inquiry by federal regulators would bear out its contention that its trucks were safe.

Colgate-Palmolive ahead 27%

By Martin Dickson

COLGATE-PALMOLIVE, the US consumer products group, yesterday reported a 27 per cent rise in fourth-quarter net income and a 14 per cent increase in earnings per share.

The company reported net income of \$110m, or 66 cents a share, up from \$86.9m, or 58 cents, in the same period of last year on sales 12 per cent higher at \$1.77bn. The company had 14 per cent more shares outstanding in the quarter than a year before.

For the full year, Colgate reported net income of \$477m, or \$2.92 a share, compared to \$124.9m, or 77 cents, in 1991 when the company took a \$243m restructuring charge. Excluding the charge, income rose 30 per cent, while earnings per share were up 14 per cent on sales 16 per cent ahead at \$7bn.

The 1992 figures were helped by the Mennen personal care business, which Colgate acquired early in the year.

Mr Reuben Mark, chairman, said each of Colgate's four main geographic regions achieved excellent growth,

with the largest base business sales increases coming from Latin America and Asia/Africa. Gross profit margins had set a record of 47.1 per cent, up from 45.6 per cent, as the company moved its product mix towards high-margin personal care products and invested in more efficient production.

In the fourth quarter household and personal care product sales rose 14 per cent to \$1.53bn, while specialty marketing, which includes pet nutrition and healthcare, was 6 per cent ahead at \$237.4m.

Rescue of Japanese property finance company in jeopardy

By Robert Thomson in Tokyo

AN AGREEMENT by leading Japanese banks to bail out Nippon Housing Loan, a troubled property finance company, is in jeopardy following a refusal by agricultural credit institutions to accept a cut in interest rates on loans to the company.

Nippon Housing Loan, founded by nine commercial banks in 1971, has an estimated ¥1,300bn (\$10.5bn) in non-performing loans arising from the "bubble" era of the late 1980s, when it

became a leading lender to ambitious property developers.

The Bank of Japan and the Ministry of Finance have drafted a rescue package, in conjunction with Tokyo-based commercial banks, calling on each of the banks with exposure to Nippon Housing to accept a reduction in interest payments.

But the national executive of the prefectural credit federation of agricultural co-operatives said yesterday that it would not accept the proposal made by the central bank and the

ministry, which expect institutions to lower rates to between 1.5 per cent and 3.25 per cent.

As commercial banks became wary of lending to Nippon Housing, agricultural institutions, looking for new customers, filled the gap as the property market was turning sour. About one-third of the housing company's debt of ¥2,100bn was provided by these institutions, which were apparently unaware of the risk.

The involvement of politically-influential farmers' groups with Nippon Housing has made the rescue all the more awkward, as agriculture ministry officials have seriously proposed that the bail-out plan be linked to the opening of the rice market. Under that proposal, the farmers' groups would be repaid in full following an agreement to allow rice imports.

It is likely that the farmers' co-ops will eventually accept a small reduction in interest payments, but the delay in reaching agreement on the rescue is frustrating larger institutions, which see the Nippon Housing

case as a model for seven other housing loan companies in need of urgent restructuring.

Daikwa Securities, a leading Japanese broker, said yesterday that it would support a troubled small broker, Marukin Securities, by accepting 95 per cent of a ¥655m third-party share allotment. The agreement appears to set an important precedent for assistance by large Japanese securities houses to ailing small brokers, which have suffered most from the share price collapse.

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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Bundesbank rate-cut decision greeted with enthusiasm

By Sara Webb in London and Karen Zagor in New York

THE Bundesbank's decision to cut its official interest rates yesterday was greeted with enthusiasm in the European government bond markets, where it was seen as relieving the tensions in the European exchange rate mechanism.

GOVERNMENT BONDS

The high-yielding government bond markets, such as Spain and Italy, rallied strongly and gained nearly a point at one stage in the day.

Bond prices started to climb as rumours swept the European bond markets that the Bundesbank would hold a press conference in the early afternoon. Most market participants expected it to announce an easing in interest rates at the conference, and as the news of the cuts in the Lombard and discount rates emerged, some of the markets sailed off.

Dealers noted strong overseas buying of high-yielding paper, particularly of Spanish

and Italian government bonds. "The yields look attractive and there is scope for an easing in Spanish interest rates possibly as soon as the next week," said Mr Steve Major, bond analyst at Credit Lyonnais.

The yield on the Spanish 10.3 per cent bond due 2002 fell from 11.63 per cent to 11.50 per cent.

In Italy, which had started on a strong note because of the 50 basis point cut in the Italian discount rate, bonds continued to climb on the Bundesbank news. The Lifte futures contract gained 0.77 to 96.80, while the yield on the 12 per cent bond due 2003 fell from 13.14 per cent to 13.02 per cent.

THE UK government bond market rallied at first on expectations that the Bundesbank would announce a rate cut at its hastily-called press conference, and the market later sold off once confirmation of the rate cuts came. The Lifte bond futures contract, which opened at 93.36, climbed to a high of 93.54 and then dropped to 93.05 before ending at 93.14.

Dealers pointed out that with sterling at the end of the European exchange rate mechanism, the Bundesbank move would have little influence on UK interest rates.

THE Bank of Japan cut its Official Discount Rate by 75 basis points to 2.5 per cent

early yesterday, as expected, prompting a fall in Japanese government bond prices initially.

The sell-off was mainly futures driven, with the March futures contract falling from its opening level of 109.25 to a low of 108.85.

Dealers noted some buying interest as the futures contract fell below 109.00, an important support level, and the future recovered to end at 109.14 in Tokyo, before climbing to 109.26 in London trading.

In the cash market, the yield on the benchmark No 145 issue traded in a range of 4.33-4.37 per cent, ending the day little changed at 4.35 per cent.

The Official Discount Rate is

FT FIXED INTEREST INDICES

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Kwik Save moves into Scotland

By Angus Foster

KWIK SAVE, the discount grocery retailer, is moving into Scotland and plans to open up to 100 stores in the next few years.

The expansion will intensify competition in the Scottish discount retailing market, where the Edinburgh-based Shoprite is also expanding and is set to increase its stores from 38 to 59 this year.

Worries about competition and price cutting knocked Shoprite's shares down 30p to 753p yesterday. Kwik Save shares were unchanged at 799p.

Kwik Save had delayed opening in Scotland, seen by analysts as a natural market for the company, until a five-year development programme for London and the south-east was "up to speed", according to Mr Graeme Seabrook, chief executive. "We didn't want to be losing money on two fronts," he said, adding that the south-east was expected to be profitable



Graeme Seabrook: the south-east should be profitable this year

this year. Kwik Save will today begin advertising for high street and edge-of-town sites. Costs of the expansion would depend on whether sites were acquired

leasehold or freehold. Mr Seabrook said funding would come from existing resources.

Distribution will be handled from Kwik Save's warehouse site north of Manchester.

Despite higher distribution costs, Mr Seabrook said Kwik Save would "not be beaten on a value for money basis" against Shoprite.

Kwik Save's decision follows a report last month from Verdict, the retail market research company, predicting that discount food retailers were becoming a significant force in the UK and could double their sales by 1996. Other analysts estimate the sector will also become more competitive, especially if foreign discounters target the UK market.

Mr Seabrook said he hoped the Scottish expansion would become more profitable more quickly than the south-east programme. He would be disappointed if losses were sustained for more than two or three years. "We weren't understood in the south-east and we're a very different company now to then," he said.

The Scottish move will not affect the programme of store openings throughout England.

Bad debts behind fall to £61.4m at Britannia

By John Gapper, Banking Correspondent

A RISE in provisions for bad debts, caused by the slump in the housing market and recession, reduced pre-tax profits at Britannia Building Society by 4 pence from £64m to £61.4m last year.

Britannia, the ninth largest society, was weighed down by a bad debt cost of £71.9m (£50.3m) for the year to December 31, comprising £47.1m (£33.7m) in provisions and £24.8m (£16.6m) in irrecoverable interest on non-performing loans.

The results were roughly in line with the pattern expected in the industry for 1992. A survey last month by the brokers UBS Phillips & Drew found that societies' pre-tax profits were likely to fall by 7 per cent on average.

Operating profits before provisions rose by 16.5 per cent to £113.8m (£97.7m), but pre-tax profits were further reduced by a £5.3m exceptional charge for the cost of making 100 staff redundant and the closure of estate agency offices.

Britannia Life, the society's life assurance and investment subsidiary, made a £4m contribution to profits, up some 30 per cent on 1991.

A widening of margins as base rates fell by 4.5 percentage points in the last quarter of the year helped raise net interest received - the gap between interest paid on savings products and received on assets - to £165m (£144.3m).

Mr Michael Shaw, managing director, said the results represented "a very good trading performance during a year in which the housing market virtually ground to a halt". He said the society had benefited from "vigilance on costs".

The cost to income ratio, including the exceptional charge, rose slightly to 49.5 per cent (48.4 per cent). Capital increased from £470m to £623m as a result of profits and two issues of permanent interest-bearing shares totalling £110m.

Menvier-Swain seeks £9m to help fund French buy

By Paul Taylor

MENVIER-SWAIN Group, the emergency lighting and fire alarms company, plans to raise £9m through a rights issue to help fund the acquisition of Nugelec, a French fire alarm system manufacturer for FF£94.8m (£10.6m).

The company announced the planned acquisition and the proposed 1-for-8 rights issue at 520p a share, underwritten by Schroders, at the same time as reporting a 16 per cent increase in first half profits and a 22 per cent lift in the interim dividend.

The profits growth reflected both organic growth and recent acquisitions. The shares closed down 2p at 603p yesterday.

Separately the company also announced that Mr Charles Swain, president and a director, had placed 2.3m shares, representing a 16.7 per cent

stake, with institutional investors at 673p a share yesterday. Mr Swain retains an interest in 550,000 shares.

After the placement and rights issue the directors will hold 3.1m shares, representing 19 per cent of the equity.

Menvier-Swain has been steadily building its operations in continental Europe through a string of small acquisitions, including one in Italy and another in Germany in the last six months.

It already claims to be the market leader in Europe for emergency lighting with an overall 10 per cent share and aims to become the largest in terms of fire alarm systems as well.

Paris-based Nugelec, which made pre-tax profits of FF£18m (FF£12.7m) on sales of FF£50.6m (FF£35m) in the year to December 31 1992, will link up with Luminox, Menvier's existing French subsidiary, to

form a French group with a similar product range to Menvier-Swain's operations in the UK.

Nugelec's sales are expected to decline by about 10 per cent this year because of a fall in sales to its highest customer.

Menvier-Swain will pay FF£79.8m in cash and FF£15m in shares. The interim results highlight the success of the group's expansion into continental Europe.

Pre-tax profits in the six months to October 31 increased to £3.2m (£2.7m) with interest charges falling to £277,000 (£383,000).

Sales grew by 27 per cent to £25m (£19.7m). Earnings per share increased from 13.3p to 14.9p. The interim dividend goes up from 2.7p to 3.3p.

The USM-quoted company said it was considering moving to the main market.

Hong Kong Bank Australia in the black

By Simon Davies in Hong Kong

HONG KONG Bank of Australia, the wholly owned subsidiary of HSBC Holdings, yesterday announced its first profit in four years.

The company showed after-tax profits of \$A8.06m (£3.5m) in 1992, compared with losses of \$A37.8m previously.

The results were in line with analysts' expectations.

HSBA reported an increase of 9 per cent in its total assets, and a marginal improvement in its capital adequacy ratios.

Mr Richard Orgill, chief executive, forecast increased profitability in 1993.

The bank has undergone staff cuts and a rationalisation of its operations and is now trying to capitalise on its Asian links to boost business. Its treasury and trade finance division achieved record profits.

Mr Orgill said: "A major strength of our group is its well-established Asian franchise."

US eye drug link-up for Fisons

By Paul Abrahams

THE NEW management at Fisons, the drugs and scientific instruments group, yesterday broke with the company's tradition of complete independence by announcing a strategic alliance in the US.

The link-up is with Allergan, one of the leading US medical ophthalmic companies. It allows the two companies to co-promote Acular, a non-steroidal anti-inflammatory drug which Allergan has licensed from Syntex, the California-based group.

Fisons and Allergan have also agreed to co-operate on the relaunch of Opticrom, a

Fisons eye product which was withdrawn in the US following concerns by the Food and Drug Administration about its quality.

Fisons said yesterday the agreement did not indicate that the product, which had US sales of about \$11m (£7.2m) before its withdrawal, was likely to be relaunched in the near future.

Allergan will also help Fisons develop and market Fisons' pectinomil sodium ophthalmic solution, another eye product.

The British group said it had a sales force of about 300 in the US, while Allergan had about 100 devoted to Acular. The product has just been licensed by the FDA and is due to be launched soon.

Second shake-up at Wheway

By Peggy Hollinger

WHEWAY, the struggling environmental engineering group, yesterday announced its second boardroom shake-up in a year with the departure of Mr John McGowan, the chief executive.

Mr Hugh Ashton, who took over Mr McGowan's post of chairman in November, said yesterday the group was "a long way down the line" on appointing a replacement. An

announcement was expected soon, he said.

Mr McGowan's departure comes after two years of increasing difficulties for the loss-making company.

The accounts, published yesterday, were qualified by Price Waterhouse, which stated that "subject to the group having sufficient banking facilities to be able to continue trading", the company was a going concern.

Mr Ashton criticised the

decision to qualify the accounts in light of the recent agreement with hanks to secure £21m in facilities until the financial year-end in September. Last year the hanks agreed to extend the facilities in return for security on Wheway's £21m in net assets. The group paid some £1m in debt restructuring fees.

Wheway said that it intended to strengthen the board with new non-executive and executive appointments.

Notice of Redemption to the holders of International Standard Electric Corporation

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, all the outstanding Bonds will be redeemed at their principal amount on 15th March, 1993, in accordance with the Sinking Fund provided for in section 3.06 of the Indenture.

Payment will be made upon presentation and surrender of the Bonds at one hundred per cent (100%) of the principal amount thereof in United States Dollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, at the City Offices of Bankers Trust Company in London, at the main office of Bankers Trust Company in Paris, at the office of Bankers Trust Company in Frankfurt, at the office of Banque Indosuez Belgique in Brussels (formerly Banque du Renouveau S.A. in Brussels), at the office of Banque Generale du Luxembourg S.A. in Luxembourg or at the office of Swiss Bank Corporation in Basel.

The Bonds should be presented with all Coupons maturing after 15th March, 1993. Coupons maturing on 15th March, 1993 and prior thereto should be detached and surrendered for payment in the usual manner. From and after 15th March, 1993 interest on the Bonds will cease to accrue.

International Standard Electric Corporation
By Bankers Trust Company, Trustee

29th January, 1993

Much the same as you, no doubt.

Has Britain's oil wealth been squandered? Is there any oil left? Twenty-five years after production started in the North Sea, David Lascelles describes what happens next.

Savers' incomes have been battered by interest rate cuts. Finance and the Family provides a full guide to income-producing alternatives to the building society.

What is the FT getting up to this Weekend?

On the Food and Drink page, Nicholas Lander reports the success (and the lessons) of the great FT Lunch for a Fiver campaign.

Travel includes David Pilling in Nepal, Emma Tucker in Syria, and Michael Thompson-Noel on tropical hazards.

In Private View, Christian Tyler meets Griselda Pollock, a feminist art historian who says Gauguin was a white male tourist.

And so it goes on...

Weekend FT
Saturday February 6

The Korea Equity Trust International Depositary Receipts

Evidencing Certificates in respect of 1,000 Units in the Trust

NOTICE IS HEREBY GIVEN to Unit-holders that Korea Equity Trust will declare a dividend in the Republic of Korea on February 20, 1993 amounting to Won 30,000 per Certificate in respect of 1,000 units, payable on or after February 25, 1993.

Payments of Coupon No 3 of the International Depositary Receipts, will be made on or after February 25, 1993 against presentation of the Coupons to the Depositary or to one of the Depositary Agents listed below:

DEPOSITARY

Chase Manhattan Bank Luxembourg S.A.
5 Rue Pictet, Luxembourg Grand, L2012 Luxembourg

DEPOSITARY AGENTS

The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street
London EC2P 2HQ
Chong-Ku, Seoul, Republic of Korea
Chase Manhattan Bank, Switzerland
68 Rue du Rhone, CH-1204 Geneva, Switzerland

The amount of dollars payable in respect of Coupons presented to an Agent of the Depositary by the Close of Business on February 23, 1993 shall be the net proceeds of the sale of the amount of Won for US dollars at the prevailing telegraphic transfer selling rate of US dollars for Won as quoted by a foreign exchange bank in Korea on the day on which the relevant transfer is made.

The dividend proceeds will be distributed to IDH holders in proportion to their respective entitlement and after the deduction of all taxes and fees, charges, duties and expenses of the Depositary. All Certificate holders are required to submit the name and address of a bank in New York and a US dollar account number for payment, or an address for which payment should be sent by US dollar cheque. All holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through one of the designated Depositary Agents, a certificate showing their residence, together with a copy of the Certificate of Incorporation, or for individuals, a copy of their passport. These documents are requested by the Korean National Tax Administration Office as evidence of residence.

Without such proof of residence, the full tax rate of 26.875 per cent Korean non-resident withholding tax will be retained.

All documents should be submitted to the Depositary or a Depositary Agent by February 23, 1993.

Chase Manhattan Bank Luxembourg S.A.
as Depositary

Correction Notice

U.S. \$300,000,000

Canadian Imperial Bank of Commerce (A Canadian Chartered Bank)

Floating Rate Debenture Notes due 2084

Notice is hereby given that for the six months interest period from January 29, 1993 to July 30, 1993 the Debenture Notes will carry an interest rate of 3.6875% per annum. The interest payable on the relevant interest payment date, July 30, 1993 against Coupon No. 16 will be U.S. \$186.42 and U.S. \$4,660.50 respectively for Debenture Notes in denominations of U.S. \$10,000 and U.S. \$250,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

February 5, 1993



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Southwark Bridge, London SE1 9HL.



TRANS-NATAL Coal Corporation Limited

(Incorporated in the Republic of South Africa Registration No. 63/0100/06)

INCOME STATEMENT

	6 months to 31.12.92	8 months to 31.12.91	12 months to 30.06.92
Sales tonnage (millions)	13.6	13.3	26.5
(Rm)	(Rm)	(Rm)	(Rm)
Sales revenue	826.6	769.1	1,564.1
Operating income	119.0	108.4	226.2
Income before taxation	94.2	95.2	199.7
Income after taxation	55.5	66.3	143.6
Extraordinary item	21.0	—	—
Attributable income	34.5	66.3	143.6
Earnings per share (cents)	66.7	83.2	180.2
Earnings per share after extraordinary item (cents)	43.3	83.2	180.2
Dividends per share (cents)	23.0	23.0	80.0

BALANCE SHEET

	31.12.92	31.12.91	30.06.92
Permanent capital	968.8	924.6	954.5
holders' interest	8.5	8.5	8.5
Group equity	977.3	933.1	963.0
Group loans	196.0	235.7	239.9
Capital employed	1,174.1	1,168.8	1,202.9
Net mining assets	1,130.1	986.1	1,081.7
Stocks and consumables	70.2	55.2	78.3
Investments and other assets	54.1	41.1	51.4
Net monetary assets	(80.3)	86.4	(8.5)
Employment of capital	1,174.1	1,168.8	1,202.9
Cash and liquid investments	74.1	246.9	195.9

COMMENTS

Despite the adverse market conditions faced by coal producers and particularly by coal exporters, Trans-Natal's operating income rose by nearly 10% for the six months ended 31 December 1992, compared to the same period in the previous year.

Total sales tons for the six months were 2.3% higher than for the corresponding period, thanks to a 5.5% increase in exports and a 4.1% increase in sales to Eskom, partly offset by a 8.9% reduction in sales to the inland market due to a marked reduction in demand from the metallurgical sector. The higher total sales tons, particularly from the higher export sales, together with a more beneficial rand/dollar exchange rate, resulted in sales revenues improving by 7.5% to R226.8 million.

The escalation in the unit cost of sales was contained to 4.7%, which was well below the rate of inflation for the period under review. This low level of cost escalation can be attributed mainly to ongoing capital expenditure and productivity improvements. Productivity improved by 23.7% compared to the six month period ended 31 December 1991, to reach a Group average of 292 tons of saleable coal per man per month.

On 4 January 1993, Trans-Natal and Eskom entered into a new

agreement to regulate the future supply of coal by Optimum Colliery to Hendrina Power Station. In terms of this new agreement, Trans-Natal benefits from additional safeguards regarding its investment in Optimum Colliery and returns thereon, and Eskom is guaranteed enhanced long-term coal quality as well as security of supply.

3. The reduction in the Group's cash balance (refer Note 6) as well as lower local interest rates, resulted in a reduction in financing income. The cumulative effect of high capital expenditure over the past few years resulted in an increase in amortisation. Income before tax consequently declined marginally.

4. The abolition of exporters' allowances under Section 10(b) of the Income Tax Act increased the Group's tax rate for the period under review from 30.4% to 41.1%. Income after tax before the extraordinary item consequently fell by 18.3% to R55.5 million.

5. Sourcing of the Group's export coal was reviewed in the face of sharply lower spot prices in the export market and the resultant expectation of a fall in future contract prices. This led to the decision that future steamcoal exports should be sourced predominantly from Optimum and Koomkoin. Consequently it was decided to curtail Trans-Natal's share of production from Ermelo Mines with effect from 1 January 1993. The Group's net investment of R31.2 million in Ermelo Mines was therefore written down by R21.0 million to the estimated realisable value of the remaining assets and this is reflected as an extraordinary item in the Income Statement.

6. The reduction in the Group's cash balance from R195.9 million in June 1992 to R74.1 million in December 1992 reflects principally, substantial capital expenditure on establishing mining infrastructure (R94.9 million), the voluntary repayment of an expensive loan (R27.8 million) as well as other scheduled loan repayments. This lower cash balance was the major reason for the reduction in the Group's net monetary assets. The Group nevertheless remains a net investor.

7. As predicted, 1993 export contract prices settled to date are lower than in 1992. Notwithstanding a more beneficial rand/dollar exchange rate and cost reduction strategies already implemented, the results for the second half will be below those of the first half.

8. The interim dividend has been maintained at 23 cents per share.

On behalf of the Board
B.P. Gilbertson - Chairman
M. Salomon - Managing Director

Johannesburg
5 February 1993

NOTICE OF DIVIDEND DECLARATION

Interim dividend No. 58 declared on 4 February 1993 - 23 cents.

Last day for registration - 19 February 1993.

Payable on 12 March 1993.

Registers closed from 20 February to 7 March 1993.

Currency conversion date - 2 March 1993.

Copies of the full announcement can be obtained from the office of the London Secretaries, 30 Ely Place, London EC1N 6LJ.



The cause of convertibility

Vanessa Houlder on a report which argues that empty offices should be used for residential accommodation

"London has a glut of empty offices - and not enough homes. If one problem could be used to help solve the other, it would provide badly-needed work for the building industry and stave off... dereliction."

This declaration of the case for converting offices to housing kicked off a report that was launched this week by a team of surveyors, architects and analysts.

The argument for putting unwanted offices to a better use has long been debated both inside and outside the property industry. The idea has now been seized upon by politicians.

"Where it is feasible, practicable and possible, I shall do what I can to support such a transition [from offices to other uses]," said Sir George Young, housing minister at the launch.

Last month, environment secretary Michael Howard said: "We are now seeing an increasing number of applications for change from offices to residential use on both sites and existing buildings. I want to encourage these trends."

And this week Mr Charles Hendry, the Conservative MP for High Peak and chairman of the All-Party Parliamentary Group on Homelessness, took up the issue by calling for new initiatives "to tackle the scandal of empty offices."

"The tragedy of this situation is that there are 30m sq ft of offices in London, and millions more in other cities, lying empty and gradually decaying, when there are tens of thousands of people in need of

accommodation," he said. The politicians' pleas have not fallen on deaf ears. Empty office blocks, owned privately and by local authorities, have been converted into hostels for use by the destitute; and a campaign by the Royal Institute of Chartered Surveyors to use empty space above shops for flats has been endorsed by the retail industry.

In a recent CSW/Gallup poll, four out of five of the industry's top 100 managers said that planning authorities should allow the conversion of empty commercial space to residential use.

But the obstacles facing such conversions are substantial. There are few successful examples of conversions. Plantation Wharf in Battersea, south London, where the receivers have turned the half-finished central office tower into flats, is a notable exception.

Some of the problems facing office conversions are insuperable. Physically, many buildings, particularly the high-tech, glass-walled buildings that were built during the period of hectic construction activity in the 1980s, are generally ill-suited for conversion; windows in such buildings do not open, and their huge floor areas mean that too much of the floor space is too far from windows.

The buildings which best lend themselves to conversion are the grey, slab office blocks built in the

1960s and 1970s, for which demand is currently poor.

Many unoccupied commercial properties are also in office ghettos, which would not adapt well to residential use. The Empty Homes Agency, which was set up last year to address the possibilities of converting vacant buildings to residential use, says the close proximity of restaurants, post offices and other community services often determines whether a building is a good candidate for conversion.

Some of the problems facing conversions could be alleviated. Local

authorities, for example, are often reluctant to relinquish sites that they have earmarked for uses that could generate jobs.

Campaigners such as Mr Hendry would like to see local authorities grant temporary residential consent. This would allow developers to keep their options open if demand for offices revives.

Granting temporary residential planning permission could also assuage the fear of developers, who are often reluctant to sacrifice hard-

won office consents. Planning permission for office use has historically been far more valuable than permission for residential use.

Also, temporary residential planning permission may provide some assurance to property owners who are reluctant to convert their offices to housing because they fear the premises would deteriorate after a period of residential use.

"The government could help in producing booklets which show how conversions can be carried out and the buildings kept in good order, to give reassurance to the owners," says Mr Hendry.

Another concern for the advocates of conversions is that property owners are deliberately vandalising their own empty buildings to avoid paying rates. The effect of this self-inflicted vandalism is that buildings that could be used for housing are made uninhabitable.

Yet the highest question mark over the viability of converting offices to houses is financial. At present, the numbers rarely add up. An appraisal of four central London schemes by surveyors Cluttons and Gardiner & Theobald found that converting a building to residential use was far more profitable than if the premises were retained for office use, with profits often up to 15 per cent higher.

However, this profit was more than wiped out when value added tax - which is payable for work on

office buildings - is taken into account. As VAT is not incurred on the construction of a residential building, developers find it can be more profitable to pull a building down and start again.

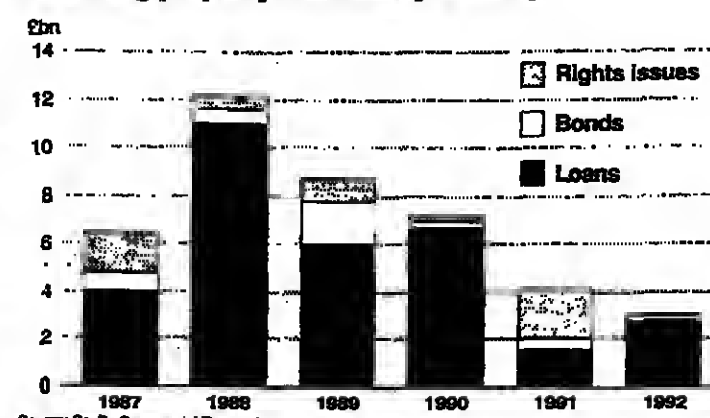
The enthusiasts for office-housing conversions argue that if house prices recover and office values continue to plunge, the economics of converting will become more attractive. Already, in certain circumstances - where developers have pre-let the accommodation and conversion costs are low - schemes are viable.

Housing associations and universities looking for student accommodation are the most important sources of demand for conversions. In London, more than a dozen colleges are looking for some 50,000 sq ft each for student hostels, according to Applied Property Research, which produced the Home Office report. Planning applications for change of use are being lodged at a rate of three to four a week.

In any event, the conversion of existing office blocks to housing is unlikely to prove a panacea for the huge expanse of empty office space in London, which is equivalent to 25 Canary Wharf towers. Mr Hendry puts the predicament starkly: "Unless action is taken to find new uses for them [unwanted offices], we will see dereliction on a scale we have not witnessed since the blitz."

The Home Office Report by Applied Property Research, Cluttons, Gardiner & Theobald and GMW; price £37 from the Publishing Business, 27 John Adam Street, London WC2N

Financing property: the money dries up



A TOTAL of £2.95bn was raised in property-related loans, bonds and rights issues in 1992, down from £3.98bn in the previous year, according to Savills, property advisers.

Just £660m of the total was "new" financing. £2.16bn was for refinancings and £130m for housing associations. The most significant component was the £1.25bn loan that refinanced Rosehaugh Stanhope Developments, the developer of the Broadgate office project in the City of London, last November. The amount of debt owed by the property and construction sectors

fell by 1 per cent in the last quarter of 1992 to £53.6bn. The sector's total debt has fallen by £4.3bn since May 1991.

The main reason for the drop in loans was UK retail banks' and US banks' reduced exposure to the sector, which has fallen by about £450m per quarter - a total of £2.7bn since May 1991. About 30 banks are now providing finance to the market, of which a quarter are new to the market, says Savills. With few exceptions, they are only prepared to lend to well-let properties with long, unexpired leases and large borrowers.

Changes in property values (%)

	Retail		Office		Industrial		All	
	Year to Dec 92	Mth of Dec 92	Year to Dec 92	Mth of Dec 92	Year to Dec 92	Mth of Dec 92	Year to Dec 92	Mth of Dec 92
Rental growth	-3.0	-0.5	-16.8	-2.4	-9.5	-1.0	-9.6	-1.2
Capital growth	-2.8	-0.3	-14.2	-1.3	-8.5	-0.9	-8.2	-0.8
Total return	4.8	0.3	-6.1	-0.5	0.7	0.0	-0.1	0.0
Current yield levels	9.0		10.4		11.4		10.0	

Source: IPD monthly index, Investment Property DataBank

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CONTRACTS & TENDERS

INVITATION FOR PROPOSALS TO SET UP A JOINT VENTURE FOR THE MANUFACTURE OF PHOSPHATE FERTILIZER IN SRI LANKA UTILIZING APATITE DEPOSIT

The Government of Sri Lanka has decided to explore prospects of commercial development of a large deposit of Apatite in Sri Lanka to manufacture and sell phosphate fertilizer in partnership with a reputed fertilizer manufacturer with capacity, resources and experience in the field.

Proposals are therefore invited by the undersigned on behalf of a Committee appointed by the Cabinet of Ministers of Sri Lanka, from reputed fertilizer manufacturers to set up a joint venture project for the manufacture and sale of phosphate fertilizers, utilizing the rock phosphate deposits available near Eppawala in Sri Lanka.

Sri Lanka has just adopted a new law - called the Mines and Minerals Act No. 33 of 1982 - which lays down the ground rules for minerals exploration in the country.

The phosphate (apatite) deposit at Eppawala in the North Central Province of Sri Lanka is located about 240 km from the main commercial centre and the port of Colombo and about 130 km from the national harbour of Trincomalee. It is located close to main trunk roads and the km from the national harbour of Trincomalee. It is located close to the total proven and inferred reserves are in the region of 60 million tonnes of Apatite rock, with an average grade of 37 percent P₂O₅ (Phosphorous Pentoxide) Lanka Phosphate Ltd, currently a fully Government-owned company, owns the mining rights to this deposit, and is at present engaged in extracting and crushing about 30,000 tonnes of Rock Phosphate per year for the domestic market.

A profile of Lanka Phosphate Ltd, which will also give relevant details of geological investigations, some 500 sq ft, the mineralogical composition and chemical analysis of the Apatite deposit, and 2 copies of the Mines and Minerals Act could be obtained from the Chief Accountant, Ministry of Industries, Science and Technology, 73/1, Galle Road, Colombo 3, on payment of a fee of US\$ 50 or Sri Lanka Rupees 2250 per set.

The prospective investor should possess the technical expertise and resources to develop the processes to convert this particular deposit to marketable fertilizer, such as Di-Ammonium phosphate (DAP), Mono-Ammonium phosphate (MAP) and Triple Super Phosphate (TSP), which have a ready domestic and export market. The present demand for phosphate fertilizer in Sri Lanka is about 130,000 tonnes per year, and a vast export market exists in the region.

The proposal should include comprehensive background information of the prospective investor, his experience and technical capability in the manufacture and marketing of phosphate fertilizer, and an indication of how the investor proposes to proceed to develop the project, with estimated time frame for each stage of the project.

Initially, it will be necessary for the selected investor to undertake further geological exploration to evaluate the grade and reserves of the deposit, more fully with the collaboration of the Geological Survey Department of Sri Lanka (soon to be converted to the Geological Survey and Mines Bureau).

The eligible investors will be invited for discussions and negotiations and should be willing to visit Sri Lanka for that purpose at their own cost, at reasonable notice.

For further details and inspection of the deposit area, please contact the following:

(a) Secretary Ministry of Industries, Science & Technology, 73/1, Galle Road, Colombo 3, Sri Lanka. Tel: (941) 436123 Fax: (941) 449402 Telex: 21246 MININD CE

(b) Chairman Lanka Phosphate Ltd., 63, Ethirigala Mawatha, Colombo 8, Sri Lanka. Tel: (941) 688708 Fax: (941) 683496 Telex: 21364 MINDECO CE

(c) Director Geological Survey Department, 44, Sri Jitirama Road, Colombo 2, Sri Lanka. Tel: (941) 324250 Telex: 21246 MININD CE

Sealed proposals should be deposited in the box provided for the purpose in the Office of the undersigned not later than 1430 hours on Wednesday, 31st March, 1993.

A.S. Jayawardena Secretary, Ministry of Industries, Science and Technology, and Chairman, Cabinet Appointed Committee on Eppawala Phosphate Development.

Ministry of Industries, Science & Technology 73/1, Galle Road, Colombo 3, Sri Lanka.

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RECRUITMENT

JOBS: Additional data on housing offered to compensate for effects of unusual journalistic problem

TODAY the Jobs column must cast modesty aside and reveal that it has of late achieved something probably unparalleled in the history of journalism. Unfortunately, the exploit is not of the professionally acclaimed kind typified by scooping one's competitors by publishing a story before them.

My feat is rather the reverse - having another newspaper scoop me with my own material which had already been printed in this one. How it happened perhaps requires some explanation.

Readers taking the UK editions of the Financial Times find this column in the Wednesday morning's paper. In the overseas editions, however, it does not appear until the Friday. So it is possible for the London-based staff of foreign newspapers to pick up something I've printed here on a Wednesday, and have their report on it appear in their home country on the Thursday morning, a day ahead of my arrival there.

Such was actually done not long ago, it seems, by a Japanese reporter who further complicated the issue by stating that the data in question had been in "yesterday's" FT. Hence several people unable to find the item telephoned to inquire, only to be still more mystified by being told that for "yesterday" they should read "tomorrow".

I tell you all that as an apologetic explanation about the table alongside, containing the latest "update" of this column's indicators of world-wide living

How living costs vary across the globe

costs. As before, the figures have been kindly supplied by the P-E International management consultancy which has like data on 142 cities. As I have room for only 30, anyone interested in others should contact Simon McBride at Park House, Wick Rd, Egham, Surrey TW20 0HW; tel (0794 43411, fax (0794 47144).

For each city, my table gives three sets of figures. The first is its cost level

shown as an index based on London prices at 100. Next is the latest official inflation rate available when P-E compiled the data. The third is the exchange rate at which the foreign currency has been turned into sterling - which is what I'm apologising about, because numerous of the rates have a distinctly antique appearance.

They are in fact those which were in

force last October when the information on price levels was collected. That in itself matters little because the prices move only slowly. But the opposite has lately applied to exchange rates which, since they affect the cost-index figures, means that most of the indices in the table are antiquated too.

Although I've tried to bring them up to date, it hasn't been practicable. It

turns out that the only source from which I can get all the rates required is the FT Guide to World Currencies which is published on a Tuesday. And for reasons too tediously complicated to mention, I could not do the updating in time to meet the deadline for this column's appearance in the UK editions on Wednesday morning.

Now, while that might seem a fair excuse to readers taking those editions, it would hardly do so to people overseas who don't see my efforts until Friday. They might well think I was being unduly lazy. So I decided to explain about the dual publication days in the hope of persuading them differently.

Fortunately, despite the snags, the cost-index figures can still be useful. The price data on which they are based should continue to be a tolerable guide to reality until April or so, and the indices can be updated for currency market changes by a simple calculation. Just take the exchange rate in the table, divide it by the rate currently in force, and multiply the result by the table's index figure.

Moreover, there is a bit of added compensation. As usual, because of technical difficulties the living-cost indices exclude outlays on housing. But

today I can also shed some light on those outlays, thanks to international consultancy Hamptons Relocation.

It keeps check on rentals paid by expatriates in 27 countries, and here are its figures for average rentals in 15 (anyone wanting more data should contact Anita Saunders at Cherry Orchard North, Knebworth Park, Swindon, Wilts SN2 8BL; tel (0793 619555, fax (0793 634839). The rent relates to a three-bedroom unfurnished apartment in a typical expatriate dwelling area, close to international schools. London examples include Richmond as well as central parts such as Kensington and Chelsea. Exchange rates are as at last Friday.

Place	Living cost index	Inflation %	Exch'g rate £1 =	Place	Living cost index	Inflation %	Exch'g rate £1 =	Place	Living cost index	Inflation %	Exch'g rate £1 =
Japan, Tokyo	161.6	1.7	203.25	Taiwan, Taipei	104.9	7.8	42.95	Malaysia, K Lumpur	85.3	4.4	4.26
Norway, Oslo	147.3	2.0	9.78	Liberia, Monrovia	104.8	4.5	1.70	Oman, Muscat	85.1	3.0	6.25
Congo, Brazzaville	143.4	0.5	465.68	Bahamas, Nassau	104.5	5.5	1.70	Bahrain, Manama	84.0	-0.1	0.65
Sweden, Stockholm	138.2	2.2	9.10	Italy, Milan	103.5	4.7	2,235.50	Tunisia, Tunis	83.5	4.4	1.43
Switzerland, Zurich	133.1	3.5	2.06	UK, London	100.0	3.6	1.00	Australia, Sydney	83.0	0.8	2.35
Denmark, Copenhagen	130.6	2.0	9.29	USA, New York	98.6	3.0	1.70	Thailand, Bangkok	82.7	3.4	42.80
Ivory Coast, Abidjan	129.9	2.1	466.88	Cuba, Havana	97.7	7.0	1.28	Canada, Toronto	82.4	1.3	2.13
France, Paris	122.9	2.6	112	S Korea, Seoul	96.2	5.7	1,362.00	Indonesia, Jakarta	81.8	8.1	1.12
Libya, Tripoli	121.9	4.4	0.44	Israel, Tel Aviv	93.0	8.3	4.24	UAE, Abu Dhabi	81.5	2.0	6.30
Austria, Vienna	120.3	3.9	16.77	Morocco, C'ablanca	92.7	6.0	13.50	Ghana, Accra	81.7	10.3	825.00
Belgium, Brussels	119.9	2.3	48.05	Antigua	92.3	1.0	4.58	UAE, Dubai	81.4	2.0	6.30
Ireland, Dublin	116.5	2.8	0.81	Barbados, Bridgetown	91.9	8.3	3.41	Jordan, Amman	79.8	9.3	3,519.85
Netherlands, Am'd'm	113.6	3.5	2.89	Singapore	90.9	2.4	2.71	Trinidad, P of Spn	79.3	2.4	7.72
Germany, Frankfurt	112.2	3.8	2.39	Brunei	90.8	2.5	2.71	Fiji, Suva	77.0	7.1	2.56
Finland, Helsinki	111.3	2.3	7.70	Philippines, M'ila	90.5	6.5	41.30	Egypt, Cairo	76.2	9.5	5.68
Spain, Madrid	111.1	4.8	8.50	USA, Los Angeles	89.2	3.0	1.70	N Zealand, W'lon	74.8	1.1	3.13
Seychelles, Victoria	109.2	5.8	170.80	S Arabia, Riyadh	88.0	-2.3	8.44	Panama	73.7	2.3	1.70
Portugal, Lisbon	108.3	9.3	213.75	China, Beijing	87.5	10.0	9.57	Sri Lanka, Colombo	71.3	9.7	74.90
Luxembourg	106.7	3.0	48.05	Oman, Muscat	87.5	1.8	0.86	Czech/Rekia, Prague	65.3	9.3	45.16
Hong Kong, Victoria	105.3	9.2	13.17	Malta, Valletta	85.8	2.8	0.51	Pakistan, Karachi	62.7	9.9	42.60

City	Exchange rate £1 =	Monthly rent £
Tokyo	165.50	4,313
Zurich	2.21	2,262
Vienna	16.82	2,091
Milan	2,226.75	2,021
London	1.00	2,000
Madrid	169.90	1,766
New York	1.49	1,578
Paris	8.10	1,543
Lisbon	216.50	1,395
Oslo	10.19	1,374
Amsterdam	2.69	1,301
Brussels	49.30	1,217
Stockholm	10.85	1,106
Copenhagen	9.33	975
Helsinki	8.30	964

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DERIVATIVES ANALYST

City Financial Engineering c.£50,000 & Full Banking Benefits

Our client is one of the world's largest financial institutions with an impressive global presence. Owing to the expansion of its European Head Office in London, it is looking for a key individual to strengthen the analytical capability of its capital markets group.

Reporting to the Head of Department you will be expected quickly to become an integral part of a small, highly motivated team, which is responsible for structuring, pricing and evaluating a full range of derivative products using the most modern analytical techniques.

The ideal candidate will be computer literate and have a minimum of three

years' relevant experience probably gained within the bond trading, corporate finance or research department of a large securities house. A degree in Mathematics or Mathematics based subject, together with strong interpersonal and communication skills are prerequisites. Flexibility and a willingness to work hard under pressure are also essential.

Candidates who feel they have the right background and would like to find out more about this interesting opportunity should send a detailed curriculum vitae to Jonathan Cohen at the address below.

12 Curzon Street
London W1T 7FJ

LONDON PARIS

Tel: 071-413 0972
Fax: 071-413 0976

MADRID

EXECUTIVE SEARCH
Derivatives & Equities

Competitive salary and unlimited earnings potential

BBM is a highly successful search and selection company, specializing in middle to senior management recruitment for banks and other financial institutions. Our client base includes some of the world's largest and most prestigious financial organisations. We see ourselves as professional advisors with each consultant building up a core of specialist knowledge centred around a particular product or area within banking.

We now seek to add to this team by recruiting two additional consultants to cover equity, interest rate and commodity

derivatives as well as equities broking and fund management. The ideal candidate will have worked in City-based recruitment with some exposure to the above areas; more crucial however is a sales "hunger" combined with the intellectual ability to conduct complex senior search work in an intelligent and creative manner.

We offer a competitive salary, a guaranteed minimum bonus level tied directly to performance, with further discretionary bonuses available. We are also ultimately committed to a broader ownership within the company.

Interested candidates should contact Kevin Byrne at BBM Associates Ltd. (Consultants in Recruitment) by sending a C.V. and covering letter to the address below, or if you prefer, call during office hours on 071-248 3653 or the evening on 0799-86690 for a confidential discussion.

76, Watling Street, London EC4M 9BJ



Tel: 071-248 3653 Fax: 071-248 2814

FAST EXPANDING CORPORATE FINANCE DIVISION OF SUBSTANTIAL FINANCIAL GROUP WISHES TO ATTRACT EXPERIENCED EXECUTIVES

Successful candidates are likely to have graduated from Financial Consulting or Corporate Finance Departments of the big accountancy firms or smaller M & A department of a Merchant Bank or Venture Capital House. Key attributes will include proven financial modelling capabilities, outstanding commercial drive, excellent communications and presentation skills. Keen sense of humour essential. Self-motivating applicants should forward CVs to:

Box No A4454, Financial Times, One Southwark Bridge, London SE1 9HL

SPOT £/DEM

£40k

A leading, highly regarded European bank is expanding its dealing room to incorporate a Spot £/DEM and Cable dealer.

In order to fit in with its small, professional team, you should have 3 years successful experience of 'jobbing' inter-bank and providing customers with competitive quotes.

Applicants, preferably under 30 years of age and with a consistent profits record, can look forward to a secure and progressive environment with attractive financial rewards.

Please contact Anthony Isarn for more information.

JAC

JAC Recruitment, Donatney House, Frederick's Place,

London EC2R 8AB Tel: 071 796 3132 Fax: 071 796 4620

FLETCHER JONES LTD

Executive Recruitment

Deutsche Bundespost Telekom is Europe's largest telecommunications company. It has been represented in the Benelux since 1990 by its Belgian branch, Deutsche Telekom Brüssel SA. This Brussels subsidiary serves as the link between the German headquarters and the institutions of the European Communities.

The world of telecommunications is developing fast and opening up exciting new horizons. To respond to this evolution, Deutsche Telekom Brüssel requires the skills of four experienced, multi-lingual, male or female graduates (economics, law, engineering or comparable university degrees) to perform high-level functions within its team.

To represent Deutsche Bundespost Telekom at international level in Brussels and within the EC institutions, we are looking for an

External Relations Manager

Your function
You will be responsible for top-level contacts in the key national and international organisations related to telecommunications. Representing the position of Deutsche Bundespost Telekom within the EC institutions, the national authorities and the international representations in Brussels, you will establish and develop excellent relations with the decision-makers. You will ensure the continuous introduction and development of the company's position in the international, and especially European telecommunications field. Your analysis of issues and your advice will help determine company strategy. You will be assisted by telecommunications experts and a coordination group in Germany.

Your profile
An economics, law, engineering or comparable university degree and a sound knowledge and experience of the telecommunications market are desirable qualifications for this position. You are alert to opportunities and used to operating at the highest level professionally and to building relationships with key contacts. With your excellent communication skills, you will be seen as a trusted and reliable partner, as indeed you are. You are thoroughly at home in at least English, French and German and, ideally, aged between 30 and 40.

Deutsche Telekom Brüssel

The Benelux customers market offers an opening for a

Product Manager

Your function

You will develop a customer-support plan based on a sound analysis of our Benelux clients and pioneer the implementation of this plan. You will devise appropriate strategies for developing the market and introduce new ways of identifying and approaching customers, of advising them and providing them with practical support. In addition to shouldering responsibility for the long-term promotion and sales of Deutsche Telekom services to customers in the Benelux, you will look for new outlets for the company's services and products.

Your profile

You have been educated to graduate level or beyond and have at least 5 years' marketing and sales experience in a business-to-business environment. You are used to negotiating high-value contracts with top-level customers. Your main strengths include the successful development of new markets and release of new products or services. You are service-minded and able to work to long-term objectives, have a feel for technical telecommunication matters and a practical bent. Furthermore, you combine excellent interpersonal and presentation skills with multi-language skills (Dutch, French, German, English). You are likely to be aged between 30 and 40.

Building on Telecommunications in Europe

To optimize two-way communication between our headquarters and the European telecommunication representatives, we are looking for two

Telecommunications Experts

Your function

You will be responsible for EC issues and relevant aspects in the area of telecommunications, such as regulatory and competition policies, information security, harmonization, research, etc. In cooperation with the External Relations Manager, you will develop the various contacts with the EC institutions and the international representations by gathering, structuring, presenting and distributing technical and non-technical information. By following telecommunications-related developments with the EC, you will be in a position to provide headquarters with expertise and advice.

Your profile

You have an economics, technical and/or legal education and preferably a university degree. You will also be expected to have a technical background or at least a keen interest in technology and some experience of telecommunications. You understand the need for flexibility in the light of evolving technologies and you will be sensitive to the questions and specific problems of our partners. These Experts need to be alert, practical and adaptable people, lateral-thinkers and problem-solvers. They are also good communicators and capable of imparting clear and succinct advice. Moreover, they have an excellent command of English, French and German.

Your future

You may count on a challenging, business-oriented environment, characterised by an open-minded approach and sound vision of the future. Attractive salary packages will reflect the demands of these positions. A prerequisite for international career development is the willingness to travel and/or to go abroad for new assignments with Deutsche Telekom.

The first step

If you feel you are a match for one of the profiles described, we invite you to take the first step and send your application with a complete and up-to-date curriculum vitae (including salary expectations) to:

Coopers & Lybrand, Organisation & Human Resource Management, avenue Marcel Thiry 216, 1200 Brussels, Belgium, for the attention of Paul Baert, Manager. Confidentiality is assured.

Coopers & Lybrand

Quantitative Fund Management

Portfolio Manager/Marketer

£35,000 + Bonus

An outstanding opportunity for a young professional to join a leading US investment boutique.

Our client is the London office of a leading US investment boutique with assets under management in excess of \$7 billion. They provide a range of index tracking products covering US, UK and continental equities, via open ended mutual funds, to their clients who are mainly pension funds of US corporations and government entities. Block trading techniques devised by the firm allow them to provide a broad exposure to specific asset classes at very low cost.

They now seek to appoint an individual to the London office to train as a portfolio manager/marketer. After an initial training in Los Angeles, the chosen applicant will be responsible for trading the UK and continental equity funds, alongside one other manager. In addition the role encompasses liaison with

head office, custodians and clients including active marketing of the firm's products to existing clients.

Candidates may come from a variety of backgrounds including academia, broking, fund management or treasury. To be considered for the role you must have an outgoing personality combined with some sales/marketing experience, a knowledge of investment theory and equity markets. Intelligent, adaptable and numerate, candidates must demonstrate an ability to work in a small team.

Interested candidates should write to Paul Wilson, enclosing a curriculum vitae, at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.



Michael Page City

International Recruitment Consultants
London Paris Amsterdam Brussels Düsseldorf Sydney

Securities Lending Product Development Manager

We are acting on behalf of the London operation of a major US banking corporation. Our client, a recognised leader in the global custody marketplace, is seeking to recruit a product development specialist to join their London-based International Securities Lending team.

The successful candidate will be responsible for the co-ordination of a number of projects leading to the continued development of the international securities lending product in London. This key strategic role will involve research and analysis, product design, project planning and implementation, requiring liaison with all relevant functional areas in London and Head Office.

The ideal candidate will have direct experience of the development

and introduction of new products within the international securities markets and also have an understanding of the broad regulatory, accounting and related issues in this process. Ideally this should be combined with a flair for market research, product design and project management, from 'idea' to finished product. Some proven systems aptitude would also be an advantage.

This position offers a wide range of responsibility and influence with a widely-recognised market leader in global custody and a bank consistently noted for the excellence of its products. The position offers a competitive salary together with the full range of banking benefits and excellent career prospects.

Interested candidates should write, including a full CV to Kevin Byrne of BBM Associates Ltd. (Consultants in Recruitment) who will forward it directly to the client. Candidates should list, in a covering letter, any institutions to which their details should not be forwarded.

76, Waring Street, London EC4M 9BJ



Tel: 071-248 3653 Fax: 071-248 2814

Fund Manager

North American Equities

Our client, the UK investment management subsidiary of a major European financial group, wishes to recruit a fund manager to take responsibility for the management of North American equity investments. As a member of the newly formed overseas equities team the person appointed will have full discretion for the selection and weighting of U.S. stocks and stocks in the portfolio and will be a major contributor to the global asset allocation process.

The position is likely to appeal to candidates with 3-5 years' experience in North American equity analysis and fund management who are looking for the chance to enjoy independent responsibility within a friendly, close-knit team in a company with exciting prospects for growth.

If you would like to be considered for this appointment, which carries a competitive salary and benefits package, including a company car, please write in confidence to:

IMR Recruitment Consultants, No 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW. Tel (071) 872 5447.



INVESTMENT MANAGEMENT RESOURCES

SECURITIES BROKING - FRANKFURT

Goldhandels GmbH is a Frankfurt-based money broker, established since 1975. We are seeking additional brokers to join our newly formed securities broking desk. Candidates should have experience of, and contacts in, one or more of the following product areas:

- Illiquid Bonds (strategies/FRNs)
- Junk Bonds
- LDC Debt
- Synthetic Securities (asset swaps)

You will probably be presently working in a broking or sales/trading environment and are seeking a new challenge, greater flexibility and/or increased rewards commensurate with your talent. We are looking for self-motivated and hard-working individuals. Salary and bonus package is excellent and geared to reward performance. Interested candidates are requested to make contact by telephone for a confidential discussion.

Tel: Frankfurt (0) 69 290301 and ask for Kevin Beaman.
Goldhandels GmbH Bierig-Klein, Rossmarkt 11, W-6000 Frankfurt/Main, Germany.

Leopold Joseph TREASURY MARKETING

Leopold Joseph & Sons Limited, the independent City merchant bank, is seeking to recruit a first-class individual to market a wide range of Treasury products, primarily focused on foreign exchange, to small/medium sized companies.

The successful candidate will be a resourceful and self-motivated graduate committed to building and establishing a strong client base. Late 20s to early 30s, the candidate must have proven marketing and sales skills and experience of the Treasury markets.

A salary package in line with industry standards is available for this position.

Applicants should submit their CVs and salary expectation to:

The Personnel Manager
Leopold Joseph & Sons Limited
29 Gresham Street
London EC2V 7EA

MEMBER OF IMRO

STOCKBROKING/EUROBONDS £100,000+

We are an established and dynamic force within the stockbroking community and are looking for highly motivated agency brokers to develop our expanding business. We offer:

- An extremely generous commission related remuneration package.
- Day to day operational independence.
- State of the art front and back office support, backed by a multi-national organisation.

Interested? Write to Box A702, Financial Times, One Southwark Bridge, London SE1 9HL.

EUROPEAN PORTFOLIO MANAGER

Edinburgh

£ Neg

Our client is a well established London based money management company, which is opening an Edinburgh office to manage European (including UK) Equities.

An integral aspect of this development involves the appointment of an additional European Portfolio Manager to join the existing team.

We seek a decisive, performance orientated candidate, with strong interpersonal skills, a high level of commitment and a fundamental approach to investment. He/she will demonstrate a successful track record of at least 5 years' within equity research or management, including the European sector.

This is an important appointment within a highly progressive group and carries a comprehensive package including performance related bonus.

Those interested should send their Curriculum Vitae (including current package details) to: The Managing Director, Fletcher Jones Ltd., 9 South Charlotte Street, Edinburgh, EH2 4AS.

FLETCHER JONES LTD

Executive Recruitment

TRADING SCIENTISTS

Private investment fund seeks quantitatively driven individuals with unique trading ideas. We are interested in worldwide markets where you have identified anomalies which provide excellent profit opportunities. For the right idea we would make a significant capital investment with lucrative profit sharing. Please send background and a brief description of your idea to:
Box A694, Financial Times
One Southwark Bridge
London SE1 9HL

CAPITAL MARKETS/DERIVATIVE PRODUCTS TRAINERS Leading independent training company seeks exceptional individuals based in Europe to conduct and market in-house seminars to major banks worldwide. Applicants must have several years experience structuring and marketing swaps, caps and other interest rate and currency risk management products to corporations. Positions also available for individuals based in New York. Please send resume and salary requirements to: Financial Directors Inc, 444 Park Avenue South, Suite 602, New York, NY 10018 USA.

APPOINTMENTS WANTED
LOOKING FOR A CAREER CHANGE?
Advertise your skills in this space for just £24
(incl. box number) + VAT
CALL PHILIP WRIGLEY ON
071 873 3351
OR FAX 071 873 3064

Swiss Cantobank Securities Limited

Reputable Swiss Securities Company based in the City looking to expand the Fund Management area as follows:-

Money Market Fund Adviser

Opportunity to join a small but active team of Investment Advisers for substantial and rapidly expanding multi-currency fund. Money market and fixed income experience required. Registered Representative status beneficial.

A competitive remuneration package will be available.

Applicants should write, enclosing C.V. to: Mrs Stiefel, Swiss Cantobank Securities Limited, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AS.

The International Securities Company of the Swiss Cantonal Banks

INTERNATIONAL LENDING DUBLIN

As a result of rapid growth of its International Corporate Lending Portfolio a leading financial institution has a vacancy for an experienced Corporate Lending Officer.

The successful candidate is likely to be a graduate in the 25/30 year age range, with proven lending and credit experience in an international environment and with good analytic and communication skills.

Applicants should send a comprehensive C.V. to:

Box A697, Financial Times, One Southwark Bridge, London SE1 9HL.

Ref: International Lending Dublin

Only those shortlisted will receive a reply.

Chances with Deutsche Bank

Our ongoing dedication to apply the highest possible service standards to our established clients throughout the world means a continuous search for highly skilled professionals in the competitive custody sector.

Candidates should be energetic, analytical, imaginative, communicate well, but most of all, show a strong client-orientated attitude, commensurate with the bank's corporate philosophy.

In addition, suitable clients will

- be aged between 25 and 35
- possess a thorough understanding of securities markets
- have database/systems knowledge
- be fluent in English, have a working knowledge of the German and, preferably, one other major European language
- relocate to the Frankfurt region.

Project Manager (M/F)

Product Development Securities & Custody Services

An attractive remuneration package is offered, in accordance with skills and experience and includes full banking benefits. Please reply in confidence with a full c.v. to:

Deutsche Bank A.G., Attn. Personnel Department, H. Menges, P.O. Box 5223, W-6236 Eschborn (Ts.), Germany

Let's talk about it!

Deutsche Bank



HEAD OF FUND MANAGEMENT MADRID

An exciting opportunity exists for an experienced investment manager to join an international investment team in Madrid where he or she will take total responsibility for the further development of the fund management activity.

This new position is the result of steady growth in the autonomous fund management company of an internationally known Madrid based institution. Candidates who will probably be in their mid thirties will have a proven and successful track record in fund management, particularly with fixed interest, bond and international instruments and will have been a senior member of an investment house. He or she will have had responsibility for both managing funds and for developing new client contracts in the management of fixed interest portfolios. Candidates should be able to demonstrate an ability to define investment strategy, present to clients and implement and execute investment decisions. There is full back-up and support from a highly respected and much praised analytical and research team.

The appointment, which is based in Madrid, will require a total command of Spanish as well as the flexibility and experience of being able to liaise with investment clients across Europe. It is envisaged that the successful candidate will achieve rapid promotion and the remuneration package will be significant.

In the first instance prospective candidates should enclose a CV and reply to: Box A695, The Financial Times, 1 Southwark Bridge, London SE1 9HL.

GENERAL SECRETARY

National Conference of Friendly Societies
Central London Salary negotiable c.£35K

The UK's largest friendly society association, we represent the interests of our 85 member societies in all areas, particularly to statutory bodies.

We are seeking to recruit a General Secretary, who will represent the member societies' collective interests and provide the support to enable them to function in union. Although reporting to an Executive Committee, you will have considerable autonomy and therefore will need to demonstrate a high degree of motivation, energy and commitment.

Aged 35-55, you will have several years' experience at a Senior Management level, possibly gained within a financial services or related environment. You will possess a sharp mind, capable of interpreting complex legislation and understanding quickly the varying needs of members. Excellent organisational and communication skills, both written and oral, are essential and you must have the ability to establish good relations at all levels.

For further details and an application form, please telephone or write to Amanda Snow, National Conference of Friendly Societies, County House, Conway Mews, London W1P 5HF. Tel: 071-631 0426 on or before 10th February 1993.

N C F S

Appointments Advertising appears
every Wednesday & Thursday
(UK) and Friday (Int'l only)

Major European Bank Senior Forex Dealer

c. £50k + Banking Benefits

City

This major European Bank is a household name in its country of domicile, where it has had a strong presence for many years. The Bank is currently implementing plans for expansion on an international scale. These include the establishment some time ago of a branch in London, which has enjoyed rapid growth.

Reporting to the Treasurer, the Senior Dealer will have the unusual challenge of creating the Forex operation in a green field situation, complementing existing money market activities. He/she will be expected to trade profitably, mainly in spot US Dollars-Deutschmarks, together with US Dollars-Sterling and Italian Lire, and will be given substantial freedom of operation within agreed guidelines. The appointee will also be

expected to have some knowledge of Forex options and Treasury products.

Probably aged 25-32, candidates should have several years' successful experience in relevant products, ideally gained within a major international bank. We are looking for excellent interpersonal and managerial skills, as the appointee must have the potential to grow into more senior roles within the Bank.

In addition to the advertised salary, the attractive remuneration package comprises a performance-related bonus scheme, subsidised mortgage, non-contributory pension scheme and private health care.

Interested applicants should send a detailed CV to the address below, quoting reference number 167J.



SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TELEPHONE: 071 287 2820
A GKR Group Company

Nous sommes à la recherche d'un (m/f)

Ingénieur des Ventes expérimenté

afin de renforcer notre équipe de vente pour l'Europe et l'Afrique.

Le profil du candidat idéal:

- diplôme d'ingénieur en Mécanique ou en Electricité
- maîtrise du français et de l'anglais; la connaissance d'une langue supplémentaire serait un atout
- 3 à 5 années d'expérience dans la vente d'équipement rotatif
- expérience professionnelle des pays méditerranéens et africains.

La fonction sera basée à Gosselies, Belgique et entraînera de nombreux voyages.

Si vous êtes intéressé, veuillez envoyer votre lettre de candidature et votre c.v. à:

Freddy Denuit, Directeur des Ressources Humaines,
SOLAR TURBINES OVERSEAS LTD.,
1, avenue des Etats-Unis,
6041 GOSSELIES Belgique.

CATERPILLAR
Solar Turbines

Lazard Investors

Senior Appointment in UK Fund Management

Lazard Investors, the Fund Management division of Lazard Brothers, has assets under management in excess of £4 billion on behalf of a wide range of international and domestic clients.

Lazard Investors is enjoying a period of sustained growth of assets under management and, as further new clients are anticipated, some expansion of the UK fund management team is required.

The successful candidate will be a mature UK equity specialist with a proven capability of managing both portfolios and client relationships. The individual will join the existing team in a senior position and be expected to show discipline, flair, organisational capabilities and strong communication skills.

The remuneration package will be attractive to the right candidate.

Applications in writing to H. E. Durey, Personnel Director.

Lazard Investors

21 Moorfields, London EC2P 2HT

FINANCIAL ANALYST WANTED

With experience in regression analysis (quantitative analysis) for freelance consulting on building a system to rank U.K. stocks. Top pay. Write to Box A699, Financial Times, One Southwark Bridge, London SE1 9HL.

REQUIRED EXPORT MANAGER

The required person will be responsible for exports promotion of hermetic refrigeration compressor units for house-hold refrigerators and similar appliances.

The main field of activity will be the Arab and the African countries.

DUTIES WILL INCLUDE:

1. Establishing, training and leading an efficient dynamic export task force.
2. Carrying-out marketing researches, sales analysis, making and implementing cost effective plans and systems to establish contacts and promote exports.
3. Creating a sound market intelligence and management of advertising campaigns.

QUALIFICATIONS:

- A university degree preferably with post graduate studies in marketing.
- 10 years minimum of marketing and sales experience, 5 years minimum in exporting compressors or house-hold refrigerators, with sufficient knowledge of application engineering.

The successful candidate will enjoy an attractive compensation package. Candidates with proven track record are invited to send their C.V. including references, a recent photo and one page essay on skills and past experience as soon as possible to:

MISR COMPRESSOR MANUFACTURING COMPANY (MCMC)
P.O. BOX 170 DOKKI, EGYPT,
FAX: 00202-3604325

APPLICATIONS SHOULD BE RECEIVED
BEFORE FEBRUARY 28TH, 93

JAPANESE SPEAKING MONEY BROKER

Exco International, one of the world's leading moneybrokers, is expanding its off-balance sheet team in London and is seeking applicants to assist in the further development of its links with the Japanese banking community.

Candidates will have:

- fluent spoken Japanese and English
- experience of working in a Japanese business environment
- 2-3 years experience of FX or deposit markets
- an understanding of FRA's and IR Swaps

In return we offer excellent career development opportunities, and an attractive remuneration package, including relocation expenses, for the right candidate.

For further details please send your CV to:
Personnel Manager, Exco International PLC,
119 Cannon Street, London EC4N 5AX

The Financial Times proposes to publish the CIMA Stage 4 Examination Results on Thursday 4th February. Please call Mark Hall-Smith on 071 873 3460

CMA
Requires a trader with 3/5 years experience of market making in derivative products on LIFFE. Experience with US derivatives a plus. Salary negotiable. Applications to:
CMA,
46 New Broad Street,
London EC2M 1LD
CONTROLLER-GERMAN BASE Develop European hedge systems. Resp. for Accounting, Treasury, EDP, Exp. in multinational org. companies. Multilingual. Base salary is \$125K, C.V. to 18440 Ventura Blvd., #203, Encino, CA 91436, USA or FAX (818) 381 8505.



FOREIGN EXCHANGE SALES REPRESENTATIVES

WINDSOR - ENGLAND ATTRACTIVE COMMISSIONS

The Position involves the marketing of technical foreign exchange and funds management services to banks, corporations and high net worth experts. The opportunity offers the challenge of building upon and adding to our worldwide client base in over 20 countries.

The Successful Applicants should have the ability to generate new business and act on his/her own initiative. A background in foreign exchange and experience in SELLING are necessary prerequisites and knowledge of foreign languages would be an advantage.

Please write with covering letter and full C.V. to:

Mr Donald R. Lewis, Managing Director
Fintech (U.K.) Ltd
14 High Street, WINDSOR, Berkshire SL4 1LD

ASSISTANT MANAGER TO THE TREASURY

A finance house of a major Japanese Corporation based in the West End wishes to recruit an Assistant Manager to Treasury with international banking experience and experience of spot and foreign exchange transactions.

Candidates should be fluent in Japanese and English. Proficiency in additional languages is preferred. Recent graduates (up to 26) in finance or banking is ideally preferred. They will also be required to demonstrate extensive knowledge of Japanese banking procedures and familiarity with international accountancy practices. Candidates should have extensive experience of advising corporate clients on credit, investment and foreign exchange money markets.

Applications including full details of career to date should be sent to:

Box A691, Financial Times, One Southwark Bridge, London SE1 9HL.

André & Cie SA, a Swiss Company active in international trading, would welcome

SPECIALIST IN UNCONVENTIONAL TRADE FINANCING

DYNAMIC BUSINESSMAN who can be trained to become such a specialist

Profile:

- at least 5 years experience in trade finance and international trade
- fluency in French, English, Spanish
- experience in currency transactions and banking
- knowledge of international markets
- knowledge of commodity transactions
- ability to create and take care of personal contacts at all levels
- creative, open-minded and flexible
- age around 30/40 years

Applications should be addressed to:

André & Cie SA, Personnel Dept. Ch. Messidor 7,
Case Postale, CH-1002 Lausanne

TWO SENIOR ACADEMIC POSITIONS

SCHOOL OF ECONOMICS AND PUBLIC POLICY

Queensland University of Technology (QUT) is one of Australia's largest universities operating on five campuses with around 23 000 students. One of the most senior levels of academic appointment in Australian universities is Associate Professor. QUT invites applications for the following positions:

- Associate Professor in Economics and Public Policy
- Associate Professor in International Economics and Business

The School of Economics and Public Policy, within the Faculty of Business, has 36 academic staff and provides faculty-based courses in the areas of Economics, International Business, Business Statistics and Econometrics, Public Policy and Government. The School is vigorously moving to raise its profile in research, particularly in the areas of international economics, business and public policy.

Women are under-represented at QUT at this level; therefore suitably qualified women are encouraged to apply.

QUALIFICATIONS/SKILLS: Appointees will have a doctorate in the relevant discipline area of equivalent accreditation or standing, a substantial record of research, considerable experience in teaching at both the undergraduate and postgraduate levels and will have demonstrated senior academic leadership abilities. One associate professor will provide strong leadership in research and teaching in the areas of international economics and business, the other in the area of public policy and/or economics. Some experience in industry and/or government would be desirable.

CONDITIONS: Permanent vacancies exist. Salary range is £26 197 to £28 861 per annum (SAUD 60 475 to SAUD 66 625). Conditions include subsidised superannuation, relocation assistance, professional experience leave and study assistance.

FURTHER INFORMATION: Duty statements, selection criteria and information on the University is available from QUT's Personnel Department, telephone 61 7 856 4002 or facsimile 61 7 856 0273. For further information on the positions telephone Professor Allan Layton on 61 7 864 2947.

APPLICATIONS: Applications should quote 45/93 (Economics and Public Policy) and 46/93 (International Economics and Business) and include evidence of academic qualifications, experience and teaching evaluations plus the names, addresses, telephone and facsimile numbers of five professional referees. Applicants applying for more than one position should submit separate applications. Applications should address the selection criteria and reach the Personnel Director QUT Locked Bag No 2 Red Hill Queensland 4059 Australia by 5 March 1993. Smoking is not permitted in QUT buildings or vehicles.

An Equal Opportunity Employer

U.S. EQUITY SALES TO FRANCE

We are a leading U.S. research house with a broad base of domestic U.S. and international institutional clients.

We are looking for an experienced salesperson with strong contacts in French institutions to develop this market for us. The job is London based.

The position would suit a self-motivated individual looking to develop in, and with, a small entrepreneurial unit.

Remuneration is commission based, with a negotiable monthly draw.

Please reply with current CV and a covering hand-written letter to Box A698, Financial Times, One Southwark Bridge, London SE1 9HL.

FORWARD/MONEY MARKET DEALER

The London branch of a Finnish bank requires a dealer with 2-3 years experience of dealing in either forward Scandinavian or other European currencies and money market off-balance sheet instruments.

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Environmental auditing still awaits its green signal

Pratap Chatterjee on the challenges facing the measurement of ecological issues on the balance sheet

DAYS BEFORE the Earth Summit in Rio de Janeiro this past June, Greenpeace's ship, the Rainbow Warrior, blockaded Aracruz Celulose's port in Brazil. Activists had turned up to confront the chairman of the world's largest exporter of bleached eucalyptus pulp, who was speaking at a conference of the Business Council for Sustainable Development in Rio.

At stake was the new concept of "sustainable development" he was promoting, and for which the United Nations is now trying to draw up an accounting standard.

In a publication released for the conference, Aracruz declared that its pulp production methods demonstrated that "enlightened environmental and social stewardship can be combined with corporate profitability".

Greenpeace claims this is not really what Aracruz is doing. Near the port they were blockading, Aracruz grows eucalyptus trees which it harvests for wood every seven years. The company claims that new eucalyptus forests it had planted are regenerating the local economy and the environment.

But forest campaigners for Greenpeace say that Aracruz's forests are eucalyptus monocultures that destroy topsoil, water tables and biodiversity. They also say that Aracruz omits to mention that the land it now harvests belonged to the native Tupiniquin people and was handed over by a former military regime which claimed the local people were not natives.

These are a few of the issues with which accounting for sustainable development is fraught. Its propo-

nents argue that the newly-emerging field of environmental accounting is only the tip of the iceberg. Groups like Greenpeace say it is not enough to increase forest cover; only by including issues such as the types of forests, their effect on the environment and the impact on the local community can the full picture of corporate performance emerge.

A traditional set of accounts shows financial profits and losses. It takes into account the depreciation of tangible assets acquired, certain intangibles like goodwill, and sets aside provisions against disasters or liabilities. New environmental standards say that it should also reflect expenditure of natural resources like air or soil. If a toxic substance is emitted, there could be a future cost that would affect the traditional balance sheet. This impact might include respiratory problems caused by the emissions, or even loss of life. The latest accounts of the chemical manufacturers Monsanto noted that it had doubled its balance sheet liability for cleaning up its toxic wastes in the last financial year from \$120m to \$245m, for instance.

Kristin Dawkins, an analyst at the Institute for Agriculture and Trade Policy in Minneapolis, who has been developing a model for what she calls "full cost accounting", explains that even this approach to accounting for future liabilities is not sufficient. She stresses the importance of other factors that cannot be identified so easily.

She says there can be a vast difference between the market's valuation of social and ecological impacts, and a community's definition of the

non-market value of the same resources. The full value of a particular log would be different for a furniture company, the timber industry, and an Amazonian Kayapo Indian living in the forest, for example.

Simply replacing a mahogany tree with eucalyptus is good enough for the timber company, which will return to harvest the tree seven years later. In succeeding years, if the soil continues to produce eucalyptus, the company gets its share of wood every

'Companies need to be viewed as living, breathing and excreting organisms. We have to look at everything that goes in and everything that goes out'

seven years. Likewise the furniture company is satisfied with the same return.

But for the Kayapo, the eucalyptus tree has few leaves and adds very little value to the soil. By contrast, the traditional Brazilian rainforest trees decompose and add organic material that supports millions of other plants and animals on which the Indians depend for food and medicine.

These environmental issues are gradually beginning to be tackled by some accountants. Daniel Rubenstein, of the Canadian Auditor General's office in Ottawa, has been attempting to develop green standards. He says that companies should present separ-

ate environmental balance sheets so that analysts and shareholders can compare the protective measures taken by different businesses.

Resources that are used and returned in their original state, such as a factory site, can be considered "borrowed". While they are being used, the company will have to pay a "price" for the dangers of contamination. Oil companies will have large "expenses" for transporting oil over the sea, for instance, but they can write off the liability once it is sold.

Rubenstein's work was partly commissioned by the United Nations' Transnational Corporations and Management Division in New York. Lorraine Ruffing, the chief of its accounting section, says there is now similar work beginning on green accounting in Britain and at the European Community in Brussels.

But her latest project, which is being developed by Harris Gleckman in the environmental department of the same UN division, will try to take the issue still further towards the approach suggested by Dawkins. In the case of an oil company, that would mean taking into account what happens to the oil after it has been sold.

This is called "full life-cycle accounting", by which a company must reflect the impact of a product from cradle to grave. Ernst Callenbach, an adviser on eco-auditing for the Elmwood Institute in Berkeley, California, says: "Companies need to be viewed as living, breathing and excreting organisms. We have to look at everything that goes in and everything that goes out."

One company that employs these

ideas is a Danish textile manufacturer called Novotex. It analysed the environmental impact of every stage of the production of cotton T-shirts, covering every detail of cultivation, such as the use of pesticides, fertiliser, irrigation, defoliant, transportation and the working conditions of labourers. The same comprehensive thinking was applied to spinning the raw cotton, knitting the thread into fabric, dyeing, shirt manufacturing, possible recycling, and finally its destruction.

Other companies attempting to scrutinise the full costs include Esprit, which has started a line of more environmentally-responsible clothing, and the Swiss corporation Ecover, which manufactures washing liquids and even cleanses consumers against using too much of its product - a novel but effective marketing technique.

But most such experiments are still at a very early stage. Novotex readily admits that it still has "a lot of goals ahead". For some companies, the choices are also much more difficult. Extractive industries clearly cannot replace the minerals they take from the earth, for instance.

In many cases, the potential future environmental significance may remain unclear. For instance, loggers had cut down all but the last few clumps of the Pacific Yew - once known as a "trash tree" - before researchers discovered that its bark could treat breast cancer.

How does an accountant or an actuary work out the possible benefits of this discovery? The only way is to ensure that the stocks of natural "capital" are completely depleted. That goal is many years off.

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You will be a qualified accountant who has ideally worked within a leisure retail environment and preferably had some exposure to golf as you will also be expected to be involved in formulating business strategy and driving profitability from an operational point.

There is a need to demonstrate excellent interpersonal skills and you will possess the ability to work well within a team. You will also need to be enthusiastic, energetic, with a flexible and adaptable approach to working in a demanding and challenging environment. It is anticipated that the successful candidate will be between the ages of 35-45.

The rewards will be commensurate with the experience and relocation is available to the successful candidate if required.

Interested candidates should write a letter, together with their C.V. to -
Mr Colin Snape, Chief Executive,
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The closing date for applications for the above positions is Monday 15th February.
Please telephone Jennifer Ogden on 071-629 4463 (evenings/weekends 071-326 0068) or Jonathan Astbury (evenings/weekends 071-702 9672) or write to our London office.

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Salary will be negotiated in the scale indicated and a wide range of benefits is offered.

Please write - in confidence - stating how the requirements are met to Lionel Koppen, Ref: A26497, MSL Group Ltd, 32 Aybrook Street, London W1M 3JL.

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The precise time input will be negotiable and may vary during the course of the period of employment. The value and structure of the remuneration package is flexible and will be tailored to the calibre and personal circumstances of the successful candidate.

Please send your CV, together with details of current or most recent remuneration and a daytime telephone number, quoting reference 3290, to Graham Perkins, Touche Ross Executive Selection at the address below.

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Candidates should send a comprehensive CV or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 061-839 2000, Fax: 061-839 0064, quoting reference (F.T.755A).

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Finance Director

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- Reporting to the Chief Executive and responsible for the full spectrum of financial management. Spirited role in enhancing the 20-strong department and building a first-class, committed team.
- Influential contribution to strategic planning and development of the Association in a progressive, cohesive, imaginative direction. Originating and leading new funding initiatives and structuring financing agreements.
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THE QUALIFICATIONS

- Chartered accountant with minimum five years' post-qualification experience in industry. Strong reputation for establishing credibility in the finance function in times of great change. A real team builder.
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North East

Finance Director

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THE QUALIFICATIONS

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Having consistently demonstrated an enviable track record in terms of growth, market share and profitability, this major international business services group is firmly committed to further developing its success based on employing continual technical innovation allied to a strong commercial awareness of the markets in which it operates.

An important feature of its management structure has been the influence and impact that its finance function has with a particular reference to strategy and long term planning within the Group.

In order to further strengthen its breadth and depth of management expertise the organisation is now keen to appoint a Financial Analysis Manager. The appointed candidate will be responsible for the development of a function that will focus on establishing key initiatives which will support and advise on a range of business driven issues. An important feature of the role will therefore be to enhance the quality and relevance of financially based information for monitoring performance and to provide the basis for planning, budgeting and forecasting, thus playing a key role in providing real added value to the organisation's decision making processes.

The position will require the intellectual and perceptive attributes of a highly motivated individual who is capable of working in a challenging and demanding role that is characterised by continual change and ever increasing levels of autonomy and responsibility.

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Interested candidates should respond promptly to Charles Austin at the address below or by fax on 071-491 8676, quoting reference C4342.

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Senior Auditor

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East Midlands



Macmillan Davies

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THE POSITION

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- Manage and develop a multi-disciplined team of specialists.

QUALIFICATIONS

- Age c.30. Ideally, graduate ACA/ACIB with five years' relevant experience gained in professional practice and banking.
- First class technical ability, pc literate with budgeting and financial planning experience.
- Excellent communicator, confident, creative and enthusiastic. Strong management skills.

Please reply in writing, enclosing full cv, reference M0543
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I candidati interessati dovranno contattare Jennifer Ogden o Gary Johnson al numero 071-629 4463 (giorno), o allo 071-326 0068 (sera e fine settimana), oppure inviare il proprio Curriculum Vitae in inglese all'indirizzo qui sotto con riferimento JO/944.

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Finance Director (Designate)

Herts

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A qualified accountant you should have in-depth experience and a proven track record of financial control in a high quality, service orientated distribution business. Accustomed to managing a substantial finance function and to meeting demanding deadlines, you must also be comfortable with fast moving, evolving IT environments. You should have had previous involvement in organisational change or business restructuring and it is unlikely anyone under 35 will have amassed sufficient experience.

Please send full personal and career details, including daytime telephone number, in confidence to Torrance Smith, Coopers & Lybrand Executive Resourcing Limited, 76 Shoe Lane, London EC4A 3JB, quoting reference TS947 on both envelope and letter.

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A qualified accountant, probably "Big 6" trained and in the age bracket 35-45, you will have a minimum of five years

commercial experience of which at least two should be at board level. Assustomed to working in a high tech FMCG or high volume service sector environment, you should have extensive experience of leading edge IT systems and of managing qualified staff. A proven record of raising new equity and big ticket project finance would be a distinct advantage. Personally you must be dynamic, entrepreneurial and able to relate to a wide spectrum of people and cultures; a working knowledge of French would be useful.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Ltd, 9 Greyfriars Road, Reading, RG1 1JS, quoting reference AE867 on both envelope and letter.

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Interested applicants should send a full curriculum vitae, quoting reference 30101, to Diane Forrester ACA, Michael Page Finance, Executive Selection Division, Page House, 39-41 Parker Street, London WC2B 5LH.

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Interested applicants should write enclosing a curriculum vitae to Hugh Eversand, Director, or Michael Page Public Sector, Page House, 39-41 Parker Street, London WC2B 5LH, or telephone him on 071 831 2000.

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Applicants should send a full CV in strict confidence to Box A701, Financial Times, One Southwark Bridge, London SE1 9HL

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You are likely to be an ACA, aged 28 - 35, with treasury experience possessing a broad financial outlook. In addition taxation experience would be an advantage.

The role will involve a significant amount of overseas travel. The successful candidate will show a mature approach, be an excellent communicator at all levels and be able to work on his/her own initiative in a rapidly changing environment.

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A graduate, you ideally have a minimum of 2 years' relevant upstream oil industry experience including a knowledge of PRT and will command a competitive remuneration package which reflects your experience.

In complete confidence, please write with CV to:
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Applicants should send their CV with an indication of salary level to: Gillian Colne, Personnel Manager, Cabletron Systems Limited, Network House, Newbury Business Park, London Road, Newbury, Berkshire RG13 2PZ.



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Highly successful investment promotion and management company requires a hands on accountant to join a small team and take responsibility for the Financial Accounting and Administration of a portfolio of investment companies. The successful candidate will have at least three years experience in general accounting and administration and the motivation to work effectively with the minimum of supervision. Responsibilities will include all aspects of maintaining the accounting records, preparation of financial statements together with an involvement in regulatory and company secretarial matters. Familiarity with PC/Spreadsheet facilities is essential. This is a challenging opportunity and will be of interest to someone with ambition and the confidence to communicate at a senior level. A competitive remuneration package will be available.

Interested candidates should send a comprehensive C.V. (including details of current salary) to:
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Ideally aged 28-35, you will be qualified, self-motivated and commercially aware, possessing financial management experience within a computerised, results-orientated, preferably multi-site environment. Highly developed interpersonal and analytical skills, versatility and a hands-on approach to problem solving will also enhance your impact in the role.

Applications in strictest confidence, providing salary details, to: Charles McGarry, Director, Fletcher Jones Ltd., 9 South Charlotte Street, Edinburgh EH2 4AS. Tel. No. (031) 226 5709. Fax No. (031) 220 1940.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ACCOUNTING FOR GROWTH

Is Creative Accounting Still Alive
After The ASB?

on Wednesday 24th February 1993 at
The London Marriott Hotel, Grosvenor Square, W1
8.15am - 9.30am

on Wednesday 3rd March 1993 at
The Runnymede Hotel, Windsor Road, Egham, Surrey
8.15am - 9.30am

Few business books have caused as much controversy as Terry Smith's 'Accounting For Growth'. The contents of the best selling business book of 1992 cost Terry Smith his £225,000 job as head of research at UBS Phillips & Drew and pioneered the author to celebrity status.

One year on, Terry Smith examines what has happened as a result of this runaway publishing success which put a big question mark over whether the growth in company profits in the eighties was down to increased profitability or manipulating profits by creative accounting.

At this Robert Half and Financial Times Business Breakfast, Terry Smith asks the vital question:

Is creative accounting still alive after the ASB?
In answering the question, Terry Smith looks at the techniques under fire including:

- Acquisition accounting
- Disposals
- Off balance sheet finance
- Brand accounting
- Pension fund accounting
- Currency mismatching
- Terry Smith also examines
- FRSI and cash flow
- FRSI2 and accounting for subsidiary undertakings
- FRSI3 and reporting of financial performance

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The names given below are successful candidates in CIMA's Stage 4 (final) examination taken in November 1992. In the United Kingdom the pass rate was 43.1%. The pass rate for home and overseas students combined was 33.6%. The locations given are those of the exam centre where the candidates sat.

The Chartered Institute of Management Accountants Telephone: 071-637 2311 Telex: 25816 CIMA G Fax: 071-631 5309

COMMODITIES AND AGRICULTURE

Azerbaijan to announce Caspian Sea oil deals

By John Lloyd and Steve Levine in Baku

THE GOVERNMENT of Azerbaijan says it is about to announce a series of contracts to explore and exploit reserves in the Caspian Sea. Proven and probable reserves are estimated at about 7bn barrels with further significant discoveries thought likely.

These will be the first contracts with foreign companies signed by the former Soviet republic and are likely to establish the country as a significant oil producer within the decade. Mr Saleh Mammadov, the Azeri finance minister, said yesterday that the present production of between 10m and 11m tonnes should rise to 40m tonnes in 1997-97, with further rises thereafter. The Azeri government is looking to a sharp increase in oil output as the major means of reversing a disastrous industrial decline.

At the same time, the construction of a pipeline to take the oil out of the country - the only existing line runs into Russia - will profoundly affect the economy and the politics of the entire region. The pipeline project being studied by the Azeri government with the oil majors working in the country come down to a choice between running through the neighbouring countries of Iran, Georgia or Armenia.

Paradoxically, even though Azerbaijan and Armenia are in a state of undeclared war over the Armenian enclave of Nagorno Karabakh, the last route is thought the most likely. This is because a pipeline through Armenia to Turkey could tap into an existing line from Iraq

Oil prices rose by 25 cents in late trading to reach \$18.60 a barrel for North Sea Brent crude, writes Deborah Hargreaves. The price rise followed comments by current president of the Organisation of Petroleum Exporting Countries, Mr Aliro Parra, that all 12 Opec countries had agreed to play their part in cutting the cartel's output by 1m barrels a day. Mr Parra was quoted by the official Opec news agency as saying the market had already taken account of an Opec accord to cut production to 23.5m b/d.

The International Energy Agency, the west's oil monitoring body, showed in its monthly oil report yesterday that Opec production had been 23m b/d in January. It estimated that world oil demand would rise by 1.5 per cent in the first quarter of the year to 39.9m b/d.

to the Mediterranean port of Iskenderun - unused at present because of sanctions against Iraq - with adequate loading facilities for supertankers.

The Georgian route to a Black Sea port would result in a bottleneck of supertankers through the Bosphorus, while the Iranian route is thought politically sensitive. The first agreement between the Azeri State Oil Company and a foreign corporation is likely to be signed as early as Monday. This will be with the Turkish company, A.D. Petros, a subsidiary of the Atilla Dogan construction corporation.

This relatively small agreement gives the Turkish company 49 per cent of a joint venture to exploit proven and already-working reserves on land. The next deal is likely to be with the US Pennzoil Corporation which, in partnership with Ramco, the UK company, is thought likely to conclude an agreement to up-grade and increase present production in the off-shore Guneshli field from the present 150,000 barrels a day to a level estimated by Pennzoil at 230,000 b/d within the next four years.

This deal is being pushed through because of the republic's desperate need to earn hard currency and to raise the low exploitation level of 50-55 per cent of proven reserves. Mr Sahir Bagirov, head of the State Oil Company, said he expected the Pennzoil deal to be signed within a week.

The third deal is expected to be with a consortium led by BP, which is exploring reserves in the Turag field, where production is expected to rise to 30m tonnes a year when it comes on stream. BP, with Statoil of Norway, says the Turag field has proven reserves of at least 1bn barrels and claims it is the largest Caspian field yet discovered.

The final project, the Amocel plan to develop the Zhanbel Azeri field, is the least certain of the projects. The Azeri government has postponed a decision because the US Congress has refused to allow humanitarian aid to be sent to Azerbaijan on human rights grounds. The issue is to be raised next week in Baku by Mr Greg Laughlin, a Democratic Congressman from Texas, who is coming to Azerbaijan for talks with the government on the oil contracts.

German group plans temporary zinc closure

By Kenneth Gooding, Mining Correspondent

RUHR-ZINC'S smelter at Datteln, Germany, is likely to close for about two months from the middle of April, taking about 30,000 tonnes of refined zinc out of the market this year, said Mr Heinz Schimmling, chairman of Metallgesellschaft's executive board, yesterday.

He was responding to market rumours that MG, the German metals and engineering group, would follow Cominco of Canada, which last week announced poor market conditions were forcing it to cut production this year at its Trail smelter in British Columbia by 50,000 tonnes.

MG has close connections with Cominco and Mr Schimmling said MG welcomed the Canadian group's move. He admitted: "We have actively been considering how we could contribute to improve conditions in the zinc market".

The opportunity would arise because further technical changes were to be made at the Datteln smelter and it would be advantageous to shut it down rather than keep it running while these were carried out.

In normal circumstances the smelter would be kept operating but the present depressed state of the zinc market made it more sensible to shut it down temporarily, as this made the work less risky.

Prices are 45 per cent of Ruhr-Zinc, which recently expanded the Datteln smelter's annual production capacity from 130,000 to 200,000 tonnes. MIM of Australia also controls 45 per cent of Ruhr-Zinc and Mr Schimmling said a decision would be made at meetings next week at which he would recommend a temporary closure.

He suggested present London Metal Exchange prices were not reflecting the true value of zinc. Prices were abnormally depressed by a surge in exports from the former eastern bloc countries and by the liquidation of market positions built up during the technical setbacks in the exchange's zinc market for many months last year.

LME zinc stocks reached a record 525,000 tonnes this week and the International Lead and Zinc Study Group estimates that exports from eastern bloc countries more than doubled last year to 250,000 tonnes compared with western consumption of about 5.36m tonnes.

Big crops squeeze orange profits

Laurie Morse on the bitter fruits of aggressive 1980s replanting

EXPECTATIONS OF a record orange harvest in Florida during a successful year of frost and freeze during the 1980s. Growers compensated for tree losses with aggressive replanting and most of those new trees are just now maturing enough to yield fruit.

The 1980s crop losses in Florida inspired a new orange industry in Brazil, which now claims title as the world's largest producer of frozen concentrated orange juice.

In 1985, in the midst of the crop damage, Florida had 43.5m orange trees. In 1992, the tree count had risen to 72.8m trees. Of that total, more than 30 per cent were 2 years old or less.

"Over time, this crop is only going to get larger," says Steve Platt, senior commodities analyst with Dean Witter Reynolds, "It takes three years to get an orange tree to produce, and the older a tree gets, the higher the yields".

The Florida orange crop currently being harvested is expected to yield 188m boxes of fruit and the Brazilian crop, which should come on to the market several months from now, is estimated at 232.8m boxes, both the second-highest

of crop damage done to Florida orange groves during a successful year of frost and freeze during the 1980s. Growers compensated for tree losses with aggressive replanting and most of those new trees are just now maturing enough to yield fruit.

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crops on record. A box is 40.8 kg, or about 90 lb.

Florida's orange harvest is projected to hit 211m boxes three years from now, and 257m boxes in 10 years. Brazil's orange groves are also just getting into their stride, adding to production overload.

Orange growers in Florida received 45 cents a lb for orange juice solids this week, down dramatically from the \$1.48 they were grossing a year ago. Mary Hartney, spokesperson for Florida Citrus Mutual, Florida's largest association of citrus growers, says "this is one of the worst seasons in memory for growers". She says the industry standard for break-even in orange production is \$1 a lb.

So far the price slump has not prompted growers to abandon their crops, but Ms Hartney says another year of low prices could affect operations of the most highly geared growers. Brazilian growers are no better off. They are generally paid a moving average of the New York futures price for their fruit.

Judith Gaines, senior futures strategist with Merrill Lynch

believes that if the futures price slide is severe enough, it may encourage Brazilian growers to limit their investment in the crop and trim tree yields. However, the overall crop impact would be minimal, she says.

While frozen concentrated orange juice futures prices and prices paid to farmers for fruit have slumped, analysts say the world price of 9 cents a lb for solid frozen orange juice concentrate has been slow to fall, leaving consumers with little benefit from the crop surplus.

Florida growers and fruit processors are looking toward expanding foreign markets to absorb the excess supply and stabilise orange prices. Ms Hartney says Japan and Germany are particularly promising markets, with per capita juice consumption in those countries less than a fifth of the American level.

Japan relaxed import restrictions against imported orange juice in April 1992, and since then it has doubled its juice consumption. Germany's imports are also expected to rise once the country recovers from its current economic slowdown, Ms Hartney says.

Canadian farmers to plant record rape area

By Bernard Simon in Toronto

CANADIAN FARMERS are set to plant a record acreage of oilseed rape this spring in response to a strong run-up in prices and steadily rising US demand for rapeseed oil.

Barring unforeseen setbacks, such as the early frost which damaged about 20 per cent of last year's crop, next season's harvest could offset the expected tumble in European Community production. According to early estimates, European output will fall by at least 500,000 tonnes this year to a maximum of 5.7m tonnes, the lowest in four years.

An official at the Canola Council in Winnipeg - canola is the Canadian name for oilseed rape - estimates that this

year's plantings in Canada will rise from 3.5m hectares (7.8m acres) in 1992 to between 3.8m and 4.2m ha.

With a yield of 22 bushels an acre the crop could be as high as 4.2m tonnes, up from 3.8m tonnes in 1992. Last year's harvest was initially estimated at 4.5m tonnes, but frost cut the area harvested to 2.8m ha.

The popularity of the crop is partly due to low wheat prices, but also reflects high canola prices prevailing on the Winnipeg commodity exchange. The March contract closed at C\$33.50 (2184) a tonne on Wednesday, up from a low of C\$27.50 a tonne last August. The March price has been as high as C\$49 a tonne in recent months.

Mr Nick Underwood, the

Canola Council's crop production co-ordinator, said that farmers "can lock in next year's production at good prices".

The most recent surge in prices has been caused by an acute shortage of the top two grades of canola, as a result of damage caused by last August's frost. A trader at ScotiaMcLeod in Winnipeg said that prices would probably drop later in the year if the expected high plantings materialised.

However, the canola market is also expected to be buoyed over the longer term by firm US demand for canola oil. Canada's annual canola oil exports to the US have soared from 100,000 tonnes to 260,000 tonnes over the past five years.

Canola oil received Food and Drug Administration clearance as a "generally-recognised-as-safe" product in 1985. It has been promoted since then as the vegetable oil with the lowest saturated fats content on the US market.

Procter & Gamble and Hunt & Wesson are among the manufacturers which now sell canola oil, either by itself or blended with other vegetable oils. Such well-known brands names as Mazola and Crisco now include some canola oil in addition to their traditional ingredients.

The Canola Council predicts that the total crush in Canada will rise from the 1.5m-tonne average over the past five years to 2.2m tonnes by the end of the decade.

Ekofisk safety plan 'inadequate'

By Karen Fossil in Oslo

THE NORWEGIAN Petroleum Directorate, the oil industry watchdog, has expressed concern over "inadequacy" of proposals submitted by Phillips Petroleum Norway to improve the safety and operational reliability of the main processing and transportation facilities of the North Sea Ekofisk field centre tank, the bulk of the world's largest oil transportation system.

Last October, the NPD warned Phillips that it was considering an order to close the tank by the winter of 1995-96 for safety reasons.

The directorate is deeply concerned for the safety of personnel at the tank, its operational reliability and relentless subsidence of the field, which poses hazards to the facility. It

said it would study Phillips' proposals for interim risk-reducing measures until mid-February before making a final ruling. But it was not satisfied with the premise on which technical evaluations for the proposed measures were based.

The NPD ordered Phillips, operator of Ekofisk with a 37 per cent stake in the field, to submit interim measures - to the directorate would have to approve - for continued operation of the facility until a long-term plan could be presented in July.

In response, Phillips said it was quite possible to achieve safe operations by applying modern safety and maintenance management principles but that it would enhance fire protection and provide an additional escape route at the tank.

To deal with field subsidence, Phillips is expanding water injection capacity through the use of a temporary facility from July 1993 while studies for permanent expansion are completed.

"We believe our proposals will enable the tank to meet necessary safety criteria for personnel and equipment. Our plans are to continue working with our co-venturers and government officials to ensure that Ekofisk will remain open, safe and economically sound for all parties involved," Mr Sander Bull-Gjertsen, a Phillips executive said yesterday.

About 18m cubic metres of gas is transported annually through the Ekofisk system to a consortium of European buyers and about 40 per cent of Norway's petroleum production is processed there.

WORLD COMMODITIES PRICES

MARKET REPORT

Base metals prices eased off their high during late afternoon trading at the London Metal Exchange. COPPER ran into technical resistance and Chinese selling before ending after hours trading \$6 up at \$2,238 a tonne in the three months position. The sterling quotation was \$2.75 down at \$1,560.50 a tonne as the pound clawed back some of its lost ground. The three months ZINC price broke above the \$1,130 level at one stage, triggering some stop-loss buying orders, before settling back in after hours trading to \$1,129 a tonne, up \$4.50 from Wednesday.

London Markets

SPOT MARKETS
Crude oil (per barrel FOB) (Mer) + or -
Dubai \$18.08-10 +0.25
Brent Blend (spot) \$18.54-12 +0.25
Brent Blend (Mar) \$18.57-14 +0.25
W.T.I. (11 pm est) \$20.30-34 +0.28
Oil products
NWE prompt delivery per tonne CIF + or -
Premium Gasoline \$193-196 +0.0
Gas Oil \$173-174 +0.0
Heavy Fuel Oil \$70-72 +0.1
Petroleum Asph Estimates
Other + or -
Gold (per troy oz) \$328.15 +0.15
Silver (per troy oz) \$37.50 +0.15
Platinum (per troy oz) \$358.5 -0.5
Palladium (per troy oz) \$112.15 -0.45
Copper (LSE Producer) 104.0c
Lead (LSE Producer) 33.5c
Tin (Kuala Lumpur market) 14,000
Tin (New York) 280.00
Zinc (LSE Prime Western) 62.0c

COCOA - London POX

Raw Cocoa Previous High/Low
Mar 185.00 182.00 184.50 181.00
May 185.00 182.00 184.50 181.00
Aug 185.00 182.00 184.50 181.00
White Cocoa Previous High/Low
Mar 232.00 232.00 232.50 231.50
May 232.00 232.00 232.50 231.50
Aug 232.00 232.00 232.50 231.50
Dark Cocoa Previous High/Low
Mar 247.00 247.00 247.50 246.00
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Sep 18.50 18.50 18.50 18.50
Oct 18.50 18.50 18.50 18.50
Nov 18.50 18.50 18.50 18.50
Dec 18.50 18.50 18.50 18.50
Turnover 24189 (20878)

GAS OIL - SFE

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Cont. INVESTMENT TRUSTS - Cont.

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85	1.1	100	70	2.8	4.5	5.8	

Precious Metals _____

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مکالمہ اول

CANADA

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	Stocks	Closing	Change on		Stocks	Closing	Change on
	Traded	Prices	day		Traded	Prices	day
Joyo Bank _____	12.1m	860	+10	Komatsu _____	3.5m	720	+11
Izumi Motor _____	11.8m	875	-5	Green Cross _____	2.2m	1,220	-40
Oni Electric _____	5.7m	382	+1	Shibaura Corp _____	2.0m	395	+20
Sanik Yohachiro _____	5.5m	985	-1	Shibaura Bank _____	2.5m	1,510	-30
Gajoen Kariko _____	4.9m	235	+20	Nissan Motor _____	2.1m	625	+4

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		<i>Phone</i>	<i>Fax</i>			<i>Phone</i>	<i>Fax</i>
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Brussels	+32 2	5132816	5110472	New York	+1 212	7524500	3082397
Copenhagen	+45 33	134441	935335	Paris	+33 1	42970623	42970629
Frankfurt	+49 69	156850	5964483	Tokyo	+81 3	32951711	32951712
Geneva	+41 22	7311804	7319481	Stockholm	+46 8	6660065	6660064
Helsinki	+358 0	730400	730705	Vienna	+43 1	5053184	5053178
Lisbon	+35 11	808284	804579	Warsaw	+48 22	489787	489787

FINANCIAL TIMES
LONDON PARIS FRANKFURT NEW YORK TOKYO

مكتبة المجلد

4 pm class February 4

Continued on next page

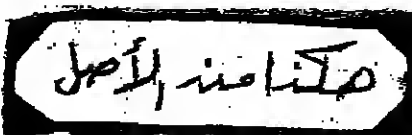
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NASDAQ NATIONAL MARKET[illegible]

4 days since February 4

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AMERICA

Chrysler leads again
as Dow extends climb

Wall Street

US stock prices headed towards record levels yesterday morning, helped by bullishness about the domestic economy and the German cut in interest rates, writes Karen Zagor in New York.

At 1.30 pm, the Dow Jones Industrial Average was 267.75 higher at 3,400.54. The more broadly based Standard & Poor's 500 was up 1.60 at 448.80, while the Amer composite was 0.48 higher at 415.37. NYSE volume was heavy, more than 220m shares changing hands by 1.30 pm, and rises outnumbered declines by 1,256 to 611.

On Wednesday, the Dow closed 45.12 higher at 3,373.79. Profit-taking contributed to a Nasdaq composite fall of 1.15 to 707.52 following record levels on Wednesday.

Chrysler continued to lead the market, adding 3/4 to \$39. It has been active since Tuesday's successful completion of a 46m share offering, and it is also benefiting from an improved credit rating from Standard & Poor's.

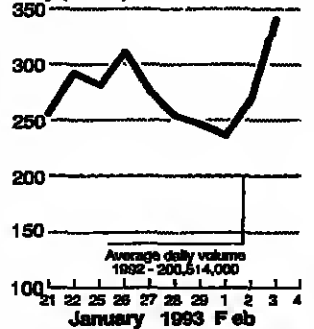
Ford jumped 3/4 to \$49.94, a 52-week high, but General Motors slid 1/4 to \$37.71 in active trading. Standard &

Poor's downgraded its rating on Wednesday.

Waste Management, the biggest US waste disposal company, tumbled 3/4 to \$35.40 after posting 1992 net income of

NYSE volume

Daily (million)



\$1.72 against \$1.23 a year earlier. An analyst at Prudential Research downgraded his rating on Waste Management International after the UK-based subsidiary posted disappointing fourth quarter earnings of 18 cents a share. Shares in Waste Management International fell 3/4 to \$21.41.

Allied Signal hit a 52-week high of \$64.40, up 3/4 on Wednesday's 33 per cent

improvement in underlying fourth quarter earnings.

Better-than-expected sales at the Gap, a specialty retailer, helped it firm 1/4 to \$37. Sales in January rose 7 per cent on a same-store basis. Caldor, a US general merchandise chain, soared 3/4 to \$33.40 after the company reported a 14.7 per cent jump in January same-store sales.

In the Nasdaq market, a decline in high-tech stocks contributed to the market's decline. Intel eased 1/4 to \$107.40, Microsoft slipped 1/4 to \$86.40, and Apple Computer eased 3/4 to \$59.70.

Canada

TORONTO took a lead from Wall Street and, by midday, the TSE 300 index was 15.6 higher at 3,359.9. Activated included Methanex, unchanged at C\$9.40 after it agreed to buy the methanol operations of Fletcher Challenge.

American Barrick, which reported a leap in fourth quarter earnings and a gain in ore reserves, climbed C\$4 to C\$38.70. The Brompton-controlled Royal Trust topped the active list on continued funding speculation, up C\$0.22 to C\$1.73 in nearly 1.1m shares.

EUROPE

Bourses climb as Bundesbank caves in

THE Bundesbank's decision to announce a late cut in interest rates, while it supported an earlier, Italian rate cut, was not met with unanimous acclaim, writes Our Markets Staff.

Politicians and stock market traders seemed to like it. The French finance ministry said that it was a gesture which should help stabilise the EMS; and the FT-SE Eurotrack 100 index moved from a gain of just 3.93 at noon to one of 16.32, to 1,113.35, at the close.

However, German businessmen worried about the new threat that the rate decision implies to price stability, and some of their stockholding counterparts criticised Bundesbank council members for saying one thing, and doing another.

FRANKFURT did little before the Bundesbank news, closing the official session with the DAX index just 0.08 higher at 1,601.61 in turnover up from DM6.6bn to DM7.1bn, but it reacted manfully in the post-bourse with indications of a 0.75 point percentage gain in the late afternoon.

Domestic analysts and strategists had their reservations, saying that this was the second time that the Bundesbank had caved in to political pressure, and that its method of doing so made the council sound more

like politicians than central bankers.

There was a case, they said, for expecting dollar-sensitive shares, and the interest rate-sensitive banks to rise tomorrow. In the meantime, Allianz, the insurer, reflected its strong bet on the market move with a 1/4 per cent gain in London post-bourse trading, but MAN, with its truckmaking interests, was more concerned with the Df debacle as it fell another DM6 to DM284.

PARIS did not get all that it wanted and the CAC-40 index came back from a high of 1,838.01, up 2.5 per cent in mid-afternoon, to close 30.24 or 1.7 per cent better at 1,854.38.

Mr John Fordey of Farri International said that the bourse took the view that the Bundesbank had done only a little over the minimum - but that this should be still be enough to bring French interest rates down, too.

Money piled into interest rate sensitive stocks as market turnover climbed again, from FF4.45bn to a "colossal" FF4.7bn. In financials, Cie Bancaire rose FF2.30, or 5 per cent, to FF4.64 in 200,000 shares and Axa rose FF3.30 to FF4.15 after FF1.15.

Other features included Matra-Hachette, up FF5 to FF109, or 15 per cent for the week so

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES					
February 4		Open	16.30	11.00	12.00	13.00	14.00
Hourly changes							
FT-SE Eurotrack 100		1103.90	1103.96	1103.30	1105.79	1113.80	1113.25
FT-SE Eurotrack 200		1178.43	1175.84	1176.08	1173.50	1176.20	1184.63
		Feb 3					
FT-SE Eurotrack 100		1097.03	1088.43	1088.01	1079.16	1072.70	
FT-SE Eurotrack 200		1171.25	1155.59	1158.83	1148.15	1148.06	
New value 1993 (FT-SE) High/Low		100 - 1114.50 200 - 1180.70 London 100 - 1089.72 200 - 1173.14					

far, on buying enhanced by the American appeal of the media and defence group.

MILAN took heart at the opening from a rate cut by the Bank of Italy's decision to cut discount rate by half a percentage point to 11 1/2 per cent - and the mood was enhanced late in the trading day by speculation about the Bundesbank move.

The Comit index ended 7.15 higher at 498.14.

Analysts were heartened by the timing of the Italian cut which demonstrated, they said, that the Bank of Italy was taking a lead in setting its own rates, rather than holding on to the coat tails of the Bundesbank. The German cut, however, would leave the way open for another cut soon.

Montedison added L93 to L1,240 amid continuing speculation that it would soon sell its Farnitalia Carlo Erba phar-

maceuticals unit to Kabi Pharmacia, the pharmaceutical arm of Sweden's Propocordia. Fondiaria firmed L2,037 to L30,350 on further expectations of a reorganisation of the group.

AMSTERDAM ended mixed, but higher it was at midday. The CBS Tendency index finished 0.9 lower at 95.9 after exposure to more gloomy corporate news.

Daf was suspended from trading again, this time on the unofficial, "punishment bench" section of the market for part of the afternoon session. The bourse gave no reason, but the announcement came after the company said that agreement had been reached between banks and the Dutch government on short-term bridging finance to allow its Eindhoven plant to carry on working. The shares moved 15 cents ahead to F1.95 in active turnover of more than 2m shares.

KLM fell F12 in the immediate aftermath of announcing third quarter losses of F1,437.8m. However, the shares picked up later to end 20 cents higher at F1,955.90 when it became clear that the figures included a F1,305m charge against KLM's Northwest Airlines stake. Fokker continued its decline but picked up from a day's low of F18.10 to finish F1,50 lower F18.70, amid concern that Germany's Deutsche Aerospace would press for new terms if it were to go ahead with the plan to acquire a majority stake.

In the chemicals sector, DSM dipped F13.90 to F172.30 on market rumours that the company would cut or omit its 1992 dividend. The company said later that no decision on the dividend had yet been reached.

ZURICH ended steady, apparently not overly impressed by the German rate cut. Prices opened easier amid some profit-taking but the SMI index erased the early losses to close 3.1 higher at 2,123.7.

COPENHAGEN's KFX index closed 0.77 higher at 86.17 in spite of a slight dip from 86.34 at the end of the day on the Bundesbank news, and the receding possibility of a the Danish crown devaluation which had taken equities higher in the first place. Turnover was high at Dkr1.4bn.

European majors reflect squeeze on oil margins

Deborah Hargreaves reports on weak share prices

LOW OIL prices, and the economic recession in much of Europe, have hit the profit margins of leading European oil companies. Share prices for many companies have been languishing.

The weak financial position of some European majors has been exacerbated by chronic overcapacity in refining and marketing, as well as petrochemicals. Profit margins at European oil refineries dropped late last year to as low as \$2.30 per barrel. This means that no companies are making money from their refining operations, since margins would have to be above \$3 a barrel for them to do so.

OMV, the Austrian oil company, has warned that it will report a loss of \$500m for last year and be forced to cut its dividend. Elf Aquitaine, the French oil group, saw profits fall by 36 per cent last year, causing it to announce cutbacks in investment.

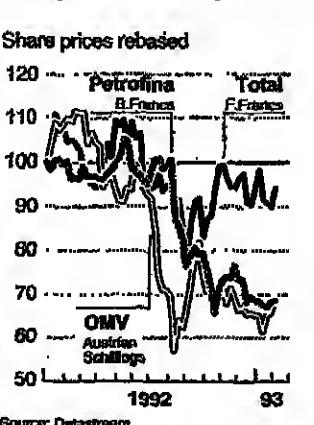
Petrofina, the Belgian group, has already said that it will halve its dividend after a sharp drop in profits. The company is due to report its results in the next couple of days. Total, the French oil company, is also expected to report a drop in profits next week.

"The companies realise that there is little chance of a recovery this year, and maybe not even next year, but I'm not sure investors have realised that yet," says Mr Alan Marshall, associate director of equities research at Swiss Bank. "There are too many deep-seated problems in the industry for there to be a quick recovery."

Mr Marshall points to severe overcapacity in European refining, as well as a proliferation of service stations which has kept margins in the hus-

ness extremely low. "The business is just at the worst point in the cycle - profit margins are entirely dependent on demand since no-one is losing enough money actually to close any capacity down."

European demand has been depressed by economic recession in many countries. The International Energy Agency, the west's oil monitoring body, points out in its latest monthly oil report that European oil



demand declined by 2.5 per cent in the final quarter of last year. First quarter demand this year is expected to be 14m barrels a day (b/d) - unchanged from the same period last year when it was also low.

European oil companies are suffering in a similar way to their counterparts overseas from low oil prices and the downturn in demand. But some companies are managing to weather the storm better than others.

The Spanish oil group, Repsol, has maintained earnings during a difficult period chiefly because of its strong position in the Spanish energy market. The company's debt to equity ratio is expected to have risen

at the end of last year from 3 per cent to 23 per cent, but this still leaves it with one of the strongest balance sheets in the industry.

Repsol's financial strength is reflected in its share price performance. The shares showed a sharp drop when the peseta was devalued last September, but since then the price has recovered. Smith New Court, the London brokerage house, says that the problems being encountered by other oil companies such as British Petroleum, Elf, Total and Petrofina has led to a certain amount of switching by investors into Repsol.

Many European oil companies are looking to eastern Europe. OMV, in particular, aims to build up a network of service stations in central Europe which will take the cleaner products provided by its Austrian refineries. Elf has bought into the East German refining market where it could use plant for processing oil it may discover in its exploration acreage in Kazakhstan.

However, Mr Marshall points to the risks in these strategies and stresses that investment in eastern Europe is not likely to pay dividends in the short term.

An additional problem looming for European refiners will be the renewed emphasis on environmental regulations in Europe which is likely to prompt the EC Commission to introduce tough new standards for refineries in the same way as the US has done. The estimated cost of bringing refineries up to new environmental standards in the US has been put at over \$14bn for the industry. It could prove almost as costly in Europe.

ASIA PACIFIC

Rate cut fails to maintain Tokyo's momentum

Tokyo

EXCITEMENT over the Bank of Japan's 75 basis point cut in the discount rate faded in the afternoon session, and share prices closed marginally lower on profit-taking, writes Emiko Tazawa in Tokyo.

The Nikkei index fell 31.40 to 17,190.63, its first decline in four trading days. It saw a high of 17,199.79 in the morning after the official announcement of the rate cut, before falling an afternoon low of 17,171.87 on profit-taking.

Volume fell to 260m shares from 339m. Declines led advances by 555 to 368 with 205 unchanged, and the Topix index of all first section stocks fell 6.77 to 1,300.83 after rising for seven consecutive days. In London, the ISE/Nikkei 50 index rose 1.74 to 1,067.56.

Reaction on other financial markets was muted, with the yen closing at 124.50 against the dollar, down 0.37 from the previous day, and the yield on the No 145 year benchmark bond rising 0.015 points to 4.355 per cent.

However, market participants remain hopeful that the lower interest rates will filter through the economy to good effect. Traders said that investors are now waiting for further fiscal stimulus. "Whether the stock market will recover or not depends on the government following up the cut with another supplementary budget, or a cut in income taxes," said a manager of Nippon Life's stock investment division.

Activity centred around short-term speculative trading and cross-trading by financial

SOUTH AFRICA

JOHANNESBURG ended firmer, helped by a strong performance from the market leader De Beers which put on R3.75 to R71.75. The overall index rose 21 to 3,478, industrials added 44 to 4,580 but goods dipped 8 to 385.

institutions to realise profits ahead of the March book-closing. Jovo Bank, a leading regional bank, was the most active issue of the day, rising Y10 to Y860 on cross activity.

Isuzu Motors, which has been bought on the "restructuring" theme, fell Y5 to Y375 on dealer profit-taking while Old Electric, which has also been traded actively as a restructuring beneficiary, gained Y1 to Y392.

Aids-related issues were active. Green Cross fell Y40 to Y1,220 and Kanematsu, a trading company which will produce and distribute a substance used in AZT, an anti-Aids drug, rose Y20 to Y396.

Profit-taking depressed some financial issues which had been popular on expectations of wider profit margins due to a rate cut. Industrial Bank of Japan fell Y50 to Y2,380 and Mitsubishi Bank lost Y10 to Y2,390.

In Osaka, the OSE average fell for the first time in eight trading days on small lot profit taking. It closed 96.23 lower at 18,576.86 in 54.3m shares.

Roundup

A cautious mood emerged in many of the region's markets.

HONG KONG ended firmer with sentiment still underpinned by the record price paid at Wednesday's government land

auction. The Hang Seng Index gained 67.21 to 5,778.01 in turnover of HK\$1.86bn.

Properties saw the sharpest rise with Cheung Kong gaining 50 cents to HK\$30.30 and Sun Hung Kai Properties up 20 cents to HK\$27.20.

AUSTRALIAN stocks staged an early rally, inspired by the strength of overseas markets; but the advance ran out of steam, leaving the All Ordinaries index to close just 1.2 higher at 1,531.4.

Turnover was healthy at A\$242m, up from A\$238m on Wednesday.

A 16 cent fall in News Corp to \$29.40 was attributed to market speculation that the group's stake in British Sky

Broadcasting may be worth less than originally thought.

SINGAPORE retreated on profit-taking and the Straits Times Industrial index fell 10.51 to 1,627.08 in volume of 114.45m shares.

KUALA LUMPUR closed mixed as investors became cautious after Wednesday's surge. The composite index closed 3.71 higher at 642.95 in volume of 163m shares.

BANGKOK saw a late selling spree as a series of rumours - none of them true - spread through trading houses. Investors later repurchased bank and finance company issues leaving the SET index 3.10 lower at 972.16 in turnover of Bt10.34bn.

Next Wednesday,
the FT will publish
the new year's
honours list.
(A survey of the
top 500 companies
in Europe.)

It's much more than a who's who. It's also a what, why, where and when.

Because the Financial Times Top 500 Survey lists each company, in both UK and European tables, by market capitalisation, industry sector, turnover, profit and return on capital employed.

It examines all the areas the largest firms in Europe are getting into.

It asks what political, economic and corporate factors will influence performance.

It looks at the impact of the recession and highlights the results in individual sectors.

It also puts Eastern Europe under the microscope. So if you want to know exactly what's going on, you know where and when to look.

No FT...no comment.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		WEDNESDAY FEBRUARY 3 1993										TUESDAY FEBRUARY 2 1993										DOLLAR INDEX	
Figures in parentheses show number of lines of stock		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1989/93 High	1992/93 Low	Year ago (approx)						
Australia (58)		121.26	+0.2	125.37	95.27	103.74	118.58	-0.1	4.10	121.05	124.11	95.53	103.34	118.63	153.66	108.18	142.51						
Austria (18)		135.18	-0.7	145.25	110.59	120.19	120.05	+0.7	5.17	135.50	143.03	110.10	119.09	118.21	186.12	131.16	173.72						
Belgium (42)		135.18	-0.5	143.66	109.34	116.05	116.86	+0.1	5.17	135.88	143.42	110.39	118.41	116.77	152.27	131.18	143.96						
Canada (113)		115.21	-0.8	118.11	90.51	96.55	105.81	+1.0	3.13	114.33	117.22	90.22	97.59	104.52	142.12	111.36	137.13						
Denmark (33)		205.31	-0.6	210.20	159.74	173.93	177.59	+0.8	1.24	204.43	209.60	161.34	174.32	178.14	273.94	161.70	256.78						
Finland (23)		85.80	-0.9	88.85	52.33	56.97	78.80	+0.6	1.77	87.20	89.80	53.03	57.37	70.39	82.90	52.94	64.44						
France (98)		144.84	+1.4	149.74	113.78	123.89	128.77	+1.2	3.53	142.90	148.32	112.77	121.86	124.52	168.75	136.93	151.82						
Germany (82)		108.57	+1.0	110.19	83.75	91.17	81.17	+1.2	2.50	106.57	108.24	83.32	90.12	90.12	129.69	101.58	120.28						
Hong Kong (55)		227.34	+0.1	235.70	119.12	165.04	229.33	+1.0	3.59	225.77	231.48	117.17	162.74	224.18	282.56	178.68	183.17						
Ireland (16)		132.75	-3.0	137.25	104.31	113.57	127.77	-1.7	4.18	135.90	140.36	106.04	118.96	129.94	173.71	122.96	171.42						
Italy (76)		59.01	-0.2	61.10	46.36	50.48	67.60	+0.3	3.07	59.13	60.83	46.67	50.48	67.59	80.88	47	79.92						
Japan (472)		105.85	+0.6	108.02	90.01	90.39	83.01	+0.4	1.00	104.73	107.40	82.87	84.83	82.67	140.85	87.27	127.88						
Netherlands (28)		221.37	+1.8	227.70	119.12	165.04	229.33	+1.0	3.59	225.77	231.48	117.17	162.74	224.18	282.56	178.68	183.17						
Mexico (18)		535.16	-2.1	1587.17	1026.20	1315.31	504.90	-2.1	1.15	1587.48	1607.15	1027.05	1338.12	6316.22	1749.77	1165.84	1616.37						
New Zealand (28)		43.70	+0.4	158.61	120.78	131.49	130.02	+0.7	4.38	153.13	157.03	120.67	130.75	126.18	186.70	147.98	153.92						
New Zealand (13)		43.70	+0.4	158.61	120.78	131.49	130.02	+0.7	4.38	153.13	157.03	120.67	130.75	126.18	186.70	147.98	153.92						
Portugal (10)		121.37	+0.8	127.70	119.12	165.04	229.33	+1.0	3.59	125.77	131.48	117.17	162.74	224.18	282.56	178.68	183.17						
Singapore (38)		221.76	+0.1	229.29	174.24	188.71	168.42	+0.1	1.96	221.51	227.11	174.81	188.09	168.22	225.75	176.86	224.28						
South Africa (50)		162.96	+0.3	166.50	126.05	129.47	168.85	+0.2	3.05	162.57	166.68	126.09	138.77	166.44	263.03	134.21	246.22						
Spain (47)		124.74	+0.5	131.66	110.02	128.04	113.07	+1.1	2.56	128.88	129.68	88.36	106.12	111.83	161.72	107	158.78						
Sweden (38)		147.30	+0.1	151.77	117.52	129.07	168.93	-0.1	5.37	152.83	156.70	120.62	140.54	158.10	200.26	146.86	186.06						
Switzerland (10)		121.37	+0.8	127.70	87.00	94.34	104.02	+0.7	1.00	121.05	124.11	87.53	103.34	118.63	153.66	108.18	142.51						
United Kingdom (226)		166.23	+0.5	171.87	130.50	142.20	117.87	+1.4	4.33	165.34	169.52	130.47	141.31	140.92	200.07	161.88	186.03						
USA (522)		182.77	+1.0	188.96	148.81	165.37	182.77	+1.0	2.76	180.99	185.67	142.84	154.51	180.69	162.77	160.92	186.03						
Europe (780)		134.76	+0.5	139.32	105.86	115.29	128.32	+1.1	3.67	134.15	137.54	105.87	114.52	128.88	158.68	131.31	148.83						
Nordic (114)		142.13	-1.5	146.95	111.68	121.59	140.21	-0.2	2.18	144.30	147.95	113.88	123.18	140.50	186.82	141.24	187.10						
Pacific Basin (1715)		110.37	+0.37	114.11	87.72	94.42	88.62	+0.5	1.35	109.44	112.20	86.37	93.42	88.22	141.97	95.70	129.78						
Europe - Pacific (1899)		120.23	+0.7	124.30	94.48	104.85	104.43	+0.3	2.41	118.43	122.45	94.34	101.85	103.87	143.21	113.90	137.69						
Europe - Pacific (1899)		120.23	+0.7	124.30	94.48	104.85	104.43	+0.3	2.41	118.43	122.45	94.34	101.85	103.87	143.21	113.90	137.69						
Europe Ex. UK (554)		115.52	+0.14	118.48	80.78	96.85	104.68	+0.8	3.21	115.07	117.98	80.83	96.25	103.80	132.68	111.33	127.92						
Pacific Ex. Japan (234)		156.73	+0.8	162.04	123.18	138.09	145.77	+0.7	3.56	155.45	159.38	122.70	132.71	144.74	175.31	140.65	182.99						
World Ex. US (1696)		121.40	+0.8	125.51	95.33	103.88	105.65	+0.8	2.43	120.83	123.88	95.21	102.68	105.68	146.91	115.99	138.74						
World Ex. Japan (1739)		132.75	-3.0	137.25	104.31	113.57	127.77	-1.7	4.18	135.90	140.36	106.04	118.96	129.94	173.71	122.96	171.42						
World Ex. So. Afr. (2146)		162.96	+0.3	166.50	126.05	129.47	168.85	+0.2	3.05	162.58	166.68	126.09	138.77	166.44	263.03	134.21	246.22						
World Ex. Japan (1739)		161.18	+0.6	166.85	126.88	137.51	157.17	+1.0	3.11	159.68	164.01	126.25	136.59	155.67	165.40	151.93	181.13						
The World Index (2206)		141.13	+0.4	146.92	110.90	120.75	128.82	+0.3	2.39	140.33	143.58	110.22	116.56	126.75	155.70	130.96	145.57						